IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

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THE CITIZENS & SOUTHERN NATIONAL BANK

COMMERCIAL DEPARTMENT

AUDIT MANUAL

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PREFACE

This manual is intended to outline the scope of internal auditing within this Bank and the division of audit responsibilities between the Local Auditors and the Traveling Auditors. It follows the outline of the Audit Questionnaire of this Bank which is itself patterned after the Bank's Statement of Condition and its Operating Statement.

It is not intended to be an ironclad set of rules and regulations from which no variance is permitted, but rather intended to be a guide to improve audit techniques. It is believed that most of these procedures can be adhered to; however, where circumstances warrant other action, the individual involved should do what he thinks will produce the best results. When such deviations occur, they should be brought to the attention of the General Auditor as soon as possible.

The Local Auditor should maintain adequate records on all work performed by him. His files should be set up in the same order as the Audit Questionnaire, and will be subject to review by the General Auditor.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDIT EXCEPTION FORM TO THE HEAD OF THE LOCAL INSTALLMENT LOAN DEPARTMENT. COPIES OF THIS REPORT, SHOWING THE CORRECTIVE ACTION TAKEN BY THE DEPARTMENT HEAD, SHOULD BE SENT TO THE GENERAL AUDITOR AND CENTRAL INSTALLMENT LOAN DEPARTMENT.

The General Auditor's annual audit report should cover the work performed by the Local Auditor and any deficiencies therein. It should list exceptions found since the date of the last annual audit, and, where appropriate, it should outline recommended corrective action, or comment on the adequacy of corrective measures already taken.

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ASSETS **CASH**

IN OUR VAULTS

1. HAS CASH BEEN VERIFIED QUARTERLY TO THE GENERAL LEDGER?

TELLER CASH VERIFICATION

It is the duty of the Local Auditor to see that the cash charged to each individual teller is verified once each quarter. The cash counts must be on a surprise basis either early in the morning or in the afternoon after the tellers have placed their cash in the vault. At least once each year all tellers should be counted at one time where it is possible. In verifying tellers' cash, the Local Auditor must verify one hundred percent of the currency under straps in denominations of $5.00 and over. Ten percent to twenty percent of the strapped currency in the one dollar denomination should be selected at random and verified. All bagged silver must be opened and verified and a small percentage of wrapped coin unwrapped and verified.

In counting cash, Form No. 7-205 should be used in its entirety. Any checks held by the teller should be traced the following day to be sure they actually clear the bank. A record should be made of any items other than cash which are held as cash, and these items must be investigated. All checks or debit tickets held by the teller should be approved by an officer of the bank for holding until the next business day. AT NO TIME SHOULD A TELLER HOLD HIS OR HER OWN CHECK. If such a situation is found to exist, a copy of the item should be made and brought to the immediate attention of the Operations Officer of the bank and the General Auditor. The Local Auditor may choose to verify cash by supervising an exchange of cash between tellers whereby the tellers audit each other. When this method is used, it is very important for the teller being audited to remain in the presence of the teller performing the audit, observing the verification. Form 7-205 should be used for this purpose and signed by both tellers.

VAULT CASH VERIFICATION

When the Head Teller's vault cash is verified, the Local Auditor must verify one hundred percent of currency under straps in denominations of $5.00 and over, and ten percent to twenty percent of the strapped currency in the one dollar denomination selected at random. Thirty percent of the bagged coin must be opened and verified. In offices employing the use of scales, the Local Auditor may weigh the coin, occasionally opening a bag for inspection. The Local Auditor should also determine that bagged coin on shelves is being properly rotated by inspecting dates on bag tags. All bags should be bagged as outlined in MG 22.307.

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IN OUR VAULTS - Continued

BALANCING TO GENERAL LEDGER

When balancing the total bank cash held by each teller to the General Ledger, the Head Teller Consolidated Balance Sheet must be prepared, listing each teller's cash as shown on the Cash Count Sheet, Form No. 7-205, along with any late work totals as taken from the individual teller reports, Form No. 18-0823. All missing cash tickets must be described by teller number, transaction number, date of item and dollar amount, any outstanding credits must be described in a similar manner. Outstanding credits will in most cases represent tellers' cashed checks and these items must be brought to the attention of the Operation Officer of the bank as soon as possible after the cash count. All outstanding debit and credit items must be followed until they are cleared. As items are cleared the Local Auditor must see the actual item and attach a copy of the back and front to his cash audit work papers. (NOTE: See Audit Question 15, this section, for the proper handling of cash tickets not currently posted to the General Ledger as of the date of your cash audit.) In those larger offices where only part of the tellers are counted, obtain a copy of Head Tellers Consolidated Balance Sheet, recap the figures appearing thereon and bring to the attention of the Operations Officer of the bank any unusually old or large outstanding items.

OVERAGE AND SHORTAGE DIFFERENCES

The Local Auditor should check to be sure that tellers do not have a kitty, and, further, that any overage or shortage of five dollars or more is approved by an officer of the bank on the day the teller is out of balance. The O&S ticket must be processed no later than the following day's cut-off.

2. IS MUTILATED CURRENCY SHIPPED WITH PROPER FREQUENCY?

The Local Auditor should observe the amount of mutilated coin and currency carried and the frequency with which it is shipped to insure that this unusable money is kept to a minimum.

3. DO TELLERS VERIFY CASH BOUGHT FROM OTHER TELLERS?

The Local Auditor should determine through observation and questioning of the tellers that cash bought from other tellers is being verified. Further, it should be determined that the policies as outlined in the GOG are being adhered to.

POOR COPY

AS EACH EXCEPTION IS NOTED, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

IN OUR VAULTS - Continued

4. ARE CASH SHIPMENTS BEING REGISTERED AND INSURED OR SHIPPED BY AUTHORIZED ARMORED CAR CARRIER?

While counting the vault cash, the Local Auditor should, through observation and questioning, determine if cash shipments are being registered and insured or consigned to an armored carrier. If an authorized car carrier is used for coin and currency shipments, the Head Teller should have readily available the list of individuals, authorized by the armored car carrier, to sign for and receive such shipments. Also, the receipt book, supplied by the armored car carrier and held by the Head Teller, should be reviewed to insure that shipments are properly described. Outgoing shipments must be stored as required by C&S System Security Department. Incoming shipments should be delivered directly to the Head Teller's vault, and "big" money housed as outlined by System Security before the Head Teller leaves the vault.

5. ARE ALL PRESCRIBED PROTECTIVE MEASURES BEING CARRIED OUT COVERING SEALER (OR CRIMPER) IN REGARD TO MONEY SHIPMENTS?

While counting the vault cash the Local Auditor should, through observation and questioning, determine if the sealer (or crimper) is being properly controlled and that it is never available to unauthorized persons. (The most logical place to store this item when not in use is in the cash vault.)

6. ARE ALL PRESCRIBED PROTECTIVE MEASURES BEING CARRIED OUT COVERING THE PREPARATION FOR AND SHIPMENT OF MONEY?

The Local Auditor should assure himself that all shipments of money are properly packaged with currency being enclosed in a paper bag sealed with manila gummed tape and the package stamped with the teller's stamp. This package of currency should then be placed in a cloth money bag that does not have any holes in it and the bag sealed with the sealer or crimper provided for that purpose. The lead seal must indicate the identification of the bank. The Local Auditor should check for compliance with the appropriate GOG's.

7. IS CASH BEING HELD TO A MINIMUM?

BANK CASH

This question can be answered only by determining the cash requirements of the bank. The most practical method for determining a bank's cash requirement is to analyze the checks cashed by the bank over a 30-day

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IN OUR VAULTS - Continued

period by referring to the General Ledger and scheduling the credits to "Cash", which represent checks cashed and cash sold to the Head Teller. Cash sold to the Head Teller should be deducted in determini cash requirements. Of course, the cash requirements of a bank will exceed the amount of checks, since there must be a certain margin of safety to cover unusual withdrawals. This margin of safety, which should be estimated conservatively, will vary depending on the locati of the bank and how easy it is for the bank itself to obtain cash from the Federal Reserve or other source.

TELLER CASH

During the quarterly verification of teller cash, the Auditor must determine if cash held by the individual teller is kept within the prescribed limits. The Local Auditor should also refer to the monthly Operations Report, where applicable, and review the average cash held by the tellers. Any abnormal fluctuation should be discussed with the Operations Officer of the bank.

8. ARE TELLER OVER AND SHORTS AND CASH ITEM LOSSES NORMAL?

The Local Auditor should maintain a record of over and short entries, cash item losses, and other losses, broken down according to the individuals responsible for the overages, shortages and losses. If this procedure is followed, the Local Auditor will have a running record of which individuals in the bank are causing these overages and losses, and can determine whether or not any one individual's record is satisfactory or unsatisfactory. A monthly report must be submitted to the General Auditor by the Local Auditor by individual and/or department. Unsatisfactory records should be brought to the attention of the Operations Officer of the bank and the General Audito In reviewing such records, the absence of overages, shortages, and losses should be investigated as much as the presence of an excess number. Absence may be occasioned by the maintenance of a kitty or other unauthorized methods.

9. ARE TELLER CASH, VAULT CASH, AND C&S MONEY ORDERS BEING PROPERLY PROTECTED?

The Local Auditor, through personal observation, will be able to determine whether or not the tellers' cages, money buggies, money vaults and money orders are being properly safeguarded at all times. He should make a point to check all cages, money buggies, payroll buggies with combination locks, and vaults during the banking hours

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IN OUR VAULTS - Continued

and after banking hours to ascertain that all good banking practices are being carried out. No teller, for example, should leave his or her cage or money buggy without locking up his or her money and/or money orders and taking the key with him. This means ten seconds, coffee break, lunch time, etc. Also, the Local Auditor should assure himself that the vault cash and vault supply of money orders are properly protected by periodically inspecting the vault. He should determine whether or not definite responsibility could be placed on one person if there were a shortage in the vault cash or money orders. It is the Local Auditor's responsibility to insure that the GOG covering the inspection of teller stations and the closing and locking of the vault is complied with.

Only the Head Teller should know the combination to his cash vault, but a record of the combination should be held in another vault or safe deposit box under dual control, by the Operations Officer or Cashier, in a sealed envelope and only opened in case of death, sickness, or vacation. If it is necessary to open this combination, and as a result another person has knowledge of the combination, then the combination should be changed when the person (Head Teller) returns to work. A record of all combinations should be sent to the Comptroller in a sealed envelope as outlined in the GOG.

10. ARE ALL PRESCRIBED PROTECTIVE MEASURES BEING CARRIED OUT COVERING CASH?

The Local Auditor, in counting the tellers, should be sure that each teller has "hot money" with a record of the series numbers of the bills being held by a responsible individual, such as the Branch Manager, Assistant Manager, etc., in a safe place. The straps on these bills should have a current date and the bills should not be dog-eared. Money of the $100.00 denomination should be used. There should also be a supply of "hot money" maintained with vault cash.

11. ARE ALL TELLERS' CASHED CHECKS MICROFILMED?

Tellers' cashed checks should be microfilmed prior to being processed by the Proof Department. The Local Auditor should determine from time to time that this is being done.

12. WHEN A TELLER IS LEAVING ON VACATION, IS THE CASH COUNTED AND RETURNED TO RESERVE?

The Local Auditor should determine that this is standard practice and make periodic checks to ascertain that this is being done when tellers leave for a vacation.

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IN OUR VAULTS - Continued

13. ARE CHECKS PAYABLE TO C&S PROPERLY HANDLED?

In handling checks payable to C&S, we should be aware that when a check signed by John Doe, payable to the bank, is presented to the bank by John Smith, it is our risk if we use the proceeds of this check for anything other than something for which John Doe will clearly receive credit, unless John Doe personally directs us to do so. If any check is delivered to us and payable to us but sent to us by someone other than the drawer of the check, we must inquire of the drawer as to the use of the funds. All tellers, particularly Exchange Tellers and Loan & Discount Tellers, should be aware of this exposure, and, when the occasion arises, these tellers should refer the customer to an officer who should determine that there is no fraud involved. If such a check is presented by an employee or officer, or with our officer's initials, for any reason other than for credit to an account or loan of the maker, a copy of both the front and back of the check and the offsetting credit must be sent to the Local Auditor. The Local Auditor should review this with the tellers at frequent intervals, especially when there has been a change in personnel.

14. ARE TELLER MACHINES MADE INOPERABLE WHEN UNATTENDED?

Teller machines must be made inoperable when unattended. This is accomplished by removing the key from the machine. The purpose of locking the machine when it is unattended is to prevent anyone other than the teller responsible from validating a deposit or putting through a transaction on the machine. This means that the keys must be removed when the teller is on break, at lunch, or at any other time the teller is out of sight of the machine. At the end of the day, keys should be removed and placed in an inconspicuous place. No two or more machines in one office should be keyed the same. The following business day, it is important for the teller to clear the machine to determine that no transactions remain within. Through observation, the Local Auditor should determine compliance with this rule each time he is in the vicinity of the teller line.

15. ARE PROPER EFFORTS BEING MADE TO CLEAR CASH TICKETS NOT CURRENTLY POSTED TO THE GENERAL LEDGER?

During his periodic reconciliation of total cash, the Local Auditor should ascertain whether or not there are any old cash tickets outstanding. Normally, the cash tickets should be posted to the General Ledger on the day of the transaction and returned to the Head Teller on the morning of the following day for use by the Head Teller in balancing tellers' cash to the General Ledger. Cash tickets not

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IN OUR VAULTS - Continued

clearing on the day of the transaction must be traced immediately with the Operations Department. Promptness is essential. Any cash tickets not clearing within two weeks must be cleared at the end of two weeks by debiting General Ledger Cash and crediting Unclaimed Demand Deposits for the amount of each cash ticket. A copy of the credit to Unclaimed Deposits must be forwarded to the Local Auditing Department. The credit must show the date of the transaction, transaction number, teller name and number, and the amount of the cash ticket.

16. ARE TELLERS BALANCING CASH DAILY?

All tellers should balance cash daily. If a teller has transactions after his normal balancing has been completed, the teller should rebalance before leaving for the day. It is mandatory that the Local Auditor be able to determine from a teller's report that the teller was or was not in balance after the final transaction on the date of the report.

17. HAS NO CASH BEEN SENT TO THE PROOF DEPARTMENT WITH A DEPOSIT?

The Proof Department should notify the Local Auditor any time cash is included along with a deposit. An Auditor's Exception Report should be written so that a record will be maintained on the number of occurrences a teller might have within the audit year.

18. ARE TELLERS' COPIES OF SIGNATURE CARDS PROPERLY CONTROLLED?

Tellers' copies of signature cards should be locked up overnight, and not left exposed and unattended, if possible, with the filing equipment in use. If the signature card files are not equipped with locks, and locks cannot be installed, management should be consulted for a decision on cost of new files versus exposure.

19. ARE DATES ON THE PHOTOCHECK CASHING CAMERAS CHANGED DAILY?

In branches having the equipment to photograph customers cashing checks, the equipment must be set to imprint the current calendar date on checks cashed. The time imprinted should be the same as the time shown on the equipment clock. Tellers should check the machines each morning to insure that the machine date and time are correct. The Local Auditor, during his reviews, should determine this procedure is followed.

BANK PROTECTION--BANK ROBBERY

1. ARE MONTHLY TRAINING SESSIONS, REVIEWING THE PROTECTION MANUALS OUTLINED IN THE COMPTROLLER'S DEPARTMENT BULLETINS PERTAINING TO BANK HOLDUPS, CONDUCTED WITH ALL PERSONNEL WHO MIGHT BE INVOLVED IN A BANK ROBBERY?

   Local Auditors should assure themselves that regular training session are held with all personnel who might be involved in a bank robbery, by reviewing the monthly reports of security meetings. These training sessions should review all items covered in the Comptroller's Department bulletins regarding protection measures in case of a bank holdup and, particularly, each person should practice operating the alarm device at their regular work post.

2. DOES BRANCH MANAGER OR PERSON RESPONSIBLE FOR OPERATIONS OF MAIN BANKING ROOM FLOOR AND OTHER KEY PEOPLE HAVE IMMEDIATELY AVAILABLE PHYSICAL IDENTIFICATION FORMS AND A HOLDUP CHECKLIST?

   The person in charge of the main banking room floor in the larger offices and the branch manager and other key people should be completely familiar with the recommendations on the holdup checklist and have a supply of the physical identification forms on hand.

3. DOES THE OFFICE HAVE, IN YOUR OPINION, A WELL ARRANGED PLAN OF ACTION IN THE EVENT OF A ROBBERY?

   Local Auditors should review with the Branch Manager and other personnel the plan of action in the event of a robbery to determine if in their opinion each office has made the necessary preparations.

4. IS ONE PERSON ASSIGNED THE DEFINITE RESPONSIBILITY OF TRAINING NEW EMPLOYEES IN THE OPERATION OF THE ALARM SYSTEM AND HAVE THE NEW EMPLOYEES ACTUALLY OPERATED THE ALARM DEVICES?

   One person in each office should have the definite responsibility of training all new people in the lobby, particularly tellers, in the details of the holdup procedure and the operation of the holdup

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NK PROTECTION - BANK ROBBERY (Continued)

devices. This person should see that the new employee operates the alarm devices until he is completely familiar with the operation and can set off the alarm without any hesitancy.

5. IS THE FILM MONITOR CHECKED EACH MORNING TO BE SURE THAT HOLDUP CAMERAS CONTAIN ADEQUATE SUPPLY OF FILM? L-T

Both Local and Traveling Auditors should satisfy themselves that the film monitor is checked each morning before the bank vault is opened to determine that the cameras have not been accidently set off during the night and the supply of film expended. A log book should be used which the individual initials daily and records the date, time, and number of frames exposed to evidence the fact that the film monitor was checked.

6. IS FILM IN HOLDUP CAMERAS CHANGED AT PROPER INTERVALS? L-T

Both Local and Traveling Auditors should satisfy themselves that the film in the cameras is changed as recommended by the Comptroller's Department Bulletin on Alarms and Cameras. Specifically, the film in the cameras should be changed each six months or after 650 frames have been exposed, whichever occurs first. The film should be sent to the Purchasing Department 8th Floor, Main Office, Atlanta, Ga., each six (6) months to have test prints developed. If trouble occurs with the cameras, test prints should be developed each time the camera is worked on or adjusted.

7. ARE CAMERAS ADEQUATELY PROTECTED FROM DAMAGE OR REMOVAL BY ROBBERS? L-T

All cameras should be protected to the extent that it would be very difficult for a robber to damage or remove them for the purpose of destroying this evidence of his crime. Protection would be adequate where the camera is encased in a container which is mounted out of reach amply secured to the wall or other stationary object. During the course of their observing bank robbery protective measures, the Local and Traveling Auditors should determin that all cameras are adequately protected in this respect.

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BANK PROTECTION - BANK ROBBERY (Continued)

8. ARE, IN YOUR OPINION, SUFFICIENT CAMERAS AND ALARM DEVICES INSTALLED AND PROPERLY LOCATED? L-T

Both Local and Traveling Auditors should acquaint themselves with the location of cameras and alarm devices and decide in their opinion whether or not sufficient cameras and alarm devices are in the office, and whether they are in proper locations.

9. ARE PROPER PRECAUTIONS TAKEN BY OFFICE BEFORE AND AFTER BANKING HOURS? L-T

Both Local and Traveling Auditors should satisfy themselves by observation and questioning that proper procedures are taken early in the morning and in the afternoon after banking hours. This includes a "Code" call each morning to be handled in accordance with prescribed procedure outlined in the Holdup Protection Manual. Keys to bank entrances should be given only to employees (preferably male and officers), and, where necessary, cleaning contractors. A control list should be maintained showing all individuals having keys and signatures should be obtained upon release of a bank entrance key. Those officers equipped with the "gold key" anti-ambush alarm device should control the key to the device so that it would not be readily available to a bandit or burglar.

10. IS A RECORD OF ALARM AND CAMERA EQUIPMENT SERVICING MAINTAINED IN EACH OFFICE?

The Local Auditor should determine that alarm and camera equipment has been serviced during the past year, by reviewing the Maintenance of Equipment log in each office. We are required by the Bank Protection Act to keep a record of servicing, as outlined on Page 11-A of the Security Manual ("Red Book").

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKS IN PROCESS OF COLLECTION - Continued

6. ARE REPORTS ON CASH ITEMS MADE TO THE LOCAL AUDITOR AND SYSTEM AUDITING WHERE REQUIRED? L

When reviewing cash items, the Local Auditor should determine that he has a report from the Branch Manager or Assistant Branch manager concerning each cash item returned because of "no account", "unknown", "signature illegible", or "unable to locate account". These reports should describe the item and the reasons, given by the teller, what item was cashed. Each item of this nature should be assigned to an individual other than the teller who originally cashed the item for the necessary collection efforts.

7. ARE PROPER EFFORTS BEING MADE TO EFFECT THE COLLECTION OF ALL ITEMS HELD AS CASH ITEMS? L

The Local Auditor should analyze the collection of non-current cash items to assure himself that the bank is making every reasonable effort to collect these items.

8. ARE CLEARINGS BALANCED QUARTERLY TO THE GENERAL LEDGER AND VERIFIED? L

Once a quarter, the Local Auditor should balance the clearing figures of the Proof Department for all clearing banks against the general ledger after balancing the clearings the figures so obtained should be verified by correspondence between the Local Auditor and the drawee banks.

9. ARE CLEARINGS RETURNS ON VERIFICATION DATE TRACED? L

In requesting verifications of the clearings balances from the drawee banks, the Local Auditor should request each drawee bank to advise him of any unusual return items in these clearings. Also, the Local Auditor should review all return items from such verified clearings to see that they are proper. Where practical, it is recommended that on the date of such verification the drawee bank be requested to return all the return items to the Local Auditor for his inspection before returning them to the bank proper.

10. IS THE FEDERAL RESERVE BANK COLLECTION ACCOUNT RECONCILED AND TRACED MONTHLY?

The bank's records detailing the Federal Reserve Bank Collection account should be balanced monthly to the general ledger by the Local Auditor. These figures should be checked against the statement of the Federal Reserve Bank after the entries have been made by them.

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ASSETS CASH

CHECKS IN PROCESS OF COLLECTION - Continued

11. ARE TRANSIT CASH LETTERS TRACED AND RECONCILED QUARTERLY? L

Quarterly, the Local Auditor should obtain a listing of the outstanding transit cash letters, balance this listing against the General Ledger and then verify each item by intercepting the remittance or advice of credit from the correspondent bank, tracing direct all items not cleared in a reasonable length of time.

12. ARE TRANSITS (CASH AND COLLECTION) SENT OUT ON DAY OF RECEIPT? L

The prompt dispatch of transits can be determined only through observation and questioning. All such collections should be sent out on the same day that they are received and none should be held over until the next business day. The Local Auditor should acquaint himself with this operation to be sure that it is being handled properly.

13. ARE TRANSIT COLLECTIONS TRACED PROMPTLY? L

This question can be answered by observation and review of the operations of the Collection Department. All outstanding items should be reviewed and those which have been outstanding for more than a reasonable length of time should be further reviewed to determine whether or not tracers have been sent. The Local Auditor should review outstanding items quarterly.

14. ARE TRANSIT DRAFTS PROPERLY AUTHORIZED? L

The Local Auditor should determine through observation and questioning that transit drafts in excess of $500.00, for which we give our customer immediate credit, are being approved by the account officer. If a customer frequently deposits such items for immediate credit, there should be a memo in file in the Collection Department, signed by the account officer, outlining the dollar amount of outstanding drafts permissible for the customer. During the Local Auditor's review, he should also determine that the depositing customer is not drafting on himself to obtain immediate credit and then using the uncollected funds.

ON DEPOSIT IN FEDERAL RESERVE AND OTHER BANKS

1. IS THE FEDERAL RESERVE BANK RESERVE ACCOUNT BEING RECONCILED BY THE LOCAL AUDITOR? L

This account should be reconciled monthly by the Local Auditor. A file should be maintained by the Local Auditor of such reconcilements showing outstanding items, all of which should be verified by him. Exceptions in the above reconcilement should be investigated by the Local Auditor and traced to the point where he is satisfied that such exceptions are in order.

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ON DEPOSIT IN FEDERAL RESERVE AND OTHER BANKS (Continued)

2. ARE LEGAL RESERVE REQUIREMENTS COMPLIED WITH? L

The Local Auditor should review the legal reserve requirements of the bank on a quarterly basis and determine whether or not these requirements have been and are being met.

3. ARE "DUE FROM CORRESPONDENT BANK" ACCOUNTS BEING RECONCILED MONTHLY BY THE LOCAL AUDITOR? L

All "Due From Correspondent Bank" accounts (excluding "Due From C&S" accounts) should be reconciled each month by the Local Auditor. Such reconcilements should be retained in his file and examined by the Traveling Auditors.

4. ARE "DUE FROM C&S BANK" ACCOUNT RECONCILEMENTS REVIEWED BY THE LOCAL AUDITOR? L

The "Due From C&S Bank" account statement should be reconciled within a few days after its receipt. Statements for affiliates and associate correspondent bank accounts are rendered either weekly, semi-monthly or monthly. The reconcilements of these accounts should be reviewed and the latest statement reconciled or re-reconciled by the Local Auditor at the times of his periodic reviews, but at least quarterly. All exceptions and reconcilements on "Due From C&S Bank" accounts should be traced by the Local Auditor to the point where he is satisfied such exceptions are in order. The Local Auditor should trace all official exchanges, drawn on other banks, outstanding more than twelve months.

5. IS THE LOCAL OPERATIONS OFFICER FAMILIAR WITH EXCEPTIONS IN THE "DUE FROM C&S BANK" AND OTHER DUE FROM BANK ACCOUNTS OUTSTANDING FOR EXCESSIVE PERIODS OF TIME, AND ARE PROPER EFFORTS BEING MADE TO CLEAR SUCH EXCEPTIONS? L

It is the Operations Officer's responsibility to keep abreast of the condition of these reconcilements and to initiate corrective action where warranted. Each time the Local Auditor reconciles the accounts, he should determine whether or not the Operations Officer has carried out his responsibility.

6. IS THE C&S INTER-OFFICE ACCOUNT REVIEWED? L

Monthly, the Local Auditor should review outstanding items on the C&S Inter-Office account, discuss old items with management to determine if they were being followed properly, and prepare exception reports on thirty-day old items.

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ASSETS **SECURITIES**

U. S. GOVERNMENT BONDS
STATE, COUNTY, AND MUNICIPAL
OTHER SECURITIES

1. ARE ALL SECURITIES UNDER PROPER DUAL CONTROL? L

The Local Auditor should review periodically the manner in which the bank's securities are held to determine whether or not proper dual control is exercised over their custody. The Traveling Auditors should also review this operation. A suggested method of control is the maintenance of an In and Out Book in which all additions to and withdrawals from the bank's portfolio are recorded, the entries being initialled by both parties attendant to such additions or withdrawals.

2. ARE ALL SECURITIES VERIFIED SEMI-ANNUALLY? L

The bank's entire portfolio should be verified physically at least twice a year. The verification by a Supervising Agency's Examiners may be accepted as one verification. This includes verifying securities held for us by others through correspondence. While examining the securities, the Auditor should be alert for counterfeit certificates. Anything obviously unusual about a certificate should be investigated.

3. IS ANY DEPRECIATION IN MARKET VALUE COVERED BY "RESERVE FOR LOSSES ON SECURITIES"? T

Depreciation in market value of securities should be determined by the Traveling Auditors in connection with their audit. It involves appraising the bank's portfolio on a current market basis, determining the extent of depreciation against net book value and comparing any such depreciation against the "Reserve for Losses on Securities".

4. ARE EXCHANGES HANDLED PROPERLY? L

On all exchanges, the Local Auditors should determine whether or not the new issues received in exchange for old are being set up on the bank's books at the proper figure. From a tax standpoint, we are required to set up a new issue at the current market value. This should be done periodically throughout the year.

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ASSETS **SECURITIES**

U. S. GOVERNMENT BONDS
STATE, COUNTY, AND MUNICIPAL
OTHER SECURITIES
Continued

5. ARE PURCHASES AND SALES AUTHORIZED? L

Purchases and sales of bank securities should be recorded in the minutes of the Board of Directors Meeting. The Local Auditors should inspect these minutes to determine whether or not all purchases and sales of the bank's securities have been authorized and approved by the Board of Directors. This should be done along with the work outlined above.

6. ARE ALL ENTRIES VERIFIED? L-T

In the National Bank this verification is a responsibility of the Local Auditor. The Traveling Auditors should investigate the procedure used by him. The Local Auditor should check and initial each day all entries made by the Bond Department, delivering them to the Proof Department. In reviewing these entries the Local Auditor should check all contra entries to satisfy himself that everything is in order. In the affiliate banks, the Local Auditor should verify all entries by detailed review of each transaction on a quarterly basis, paying particular attention to contra entries.

7. ARE SECURITIES RECORDS ADEQUATE? L

The Local Auditor during his audits should inspect and appraise the securities records of the bank. In particular, he should look for adequacy of descriptions, dates of purchases, and dates of sales.

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LOANS PAYABLE ON DEMAND
TIME LOANS TO INDIVIDUALS AND BUSINESS
HOME LOANS AND OTHER REAL ESTATE LOANS
INSTALLMENT LOANS (See Installment Audit)

1. ARE NOTE RECORDS IN BALANCE WITH THE GENERAL LEDGER?

The Local Auditor should review the listing of the notes by the Loan & Discount Department to determine that the Department is listing and balancing the notes each month. It is suggested that the Local Auditor have the Loan Department forward to him their balancing tapes each month. Any differences or exceptions should be followed by the Local Auditor. Once each year a trial balance of the notes and the Liability Ledger should be made by the Local Auditor, and in this connection, the Auditor should handle the actual listing, but it would be in order for loan personnel to check back the listirg so long as the Auditor investigates all changes.

2. ARE NOTES BEING VERIFIED ON A BI-ANNUAL BASIS?

Commercial loans should be verified with the customer by the Local Auditor so that the entire loan portfolio will be covered in a two year period. This verification should be made on a continuous basis by verifying approximately one-twentyfourth (1/24) of the loans each month. Rather than selecting a particular alphabet to verify, the method of selection should be on a RANDOM SELECTION basis. This means that it is possible for some of the loans to be verified more than once during a year - depending on the outcome of the random selection. Loan accounts to be verified should be selected from the Department's listing tape of the Liability Ledger, starting at a point on the tape indicated by the random selection method - then every twenty-fourth loan account from that point will be verified direct with the borrower. It will be necessary for the Auditor to account for the notes on all loan accounts verified, preparing verifications from the notes, and he must include all related escrow accounts. The Local Auditor should retain under his control file copies of all verifications.

LOANS PAYABLE ON DEMAND
TIME LOANS TO INDIVIDUALS AND BUSINESS
HOME LOANS AND OTHER REAL ESTATE LOANS
INSTALLMENT LOANS (See Installment Audit)
Continued

3. ARE STANDARD C&S NOTE FORMS USED?

In handling the notes for various other purposes, the Local Auditor should determine that C&S note forms are being used. Any exceptions found should be directed to the attention of the officer in charge of the department or office.

4. ARE PAST DUE NOTES BEING FOLLOWED, AND ARE DELINQUENT CHARGES BEING COLLECTED?

The Local Auditor should ascertain that past due notes are being submitted to the Executive Officer and the Board of Directors for their review at least monthly. Semi-annually the Local Auditor should review the past due notes, and those past due sixty days and over should be discussed with the Executive Vice President or President. All past dues should be reviewed at the time of the annual audit. With respect to delinquent charges, in the National Bank, the Accrual Department will write a memorandum to the Local Auditor regarding any charges that are not collected, but in the Affiliate Banks the Local Auditor should spot check for these collections at the time interest received from loans is checked.

5. ARE NOTE NOTICES MAILED SEVEN DAYS IN ADVANCE OF MATURITY?

When the Local Auditor is performing other work in the Loan Department, he should make it a practice to look in the tickler file to see if there are any notices which should already have been mailed. At least semi-annually he should specifically review the department's procedure in this connection.

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LOANS PAYABLE ON DEMAND
TIME LOANS TO INDIVIDUALS AND BUSINESS
HOME LOANS AND OTHER REAL ESTATE LOANS
INSTALLMENT LOANS (See Installment Audit)
Continued

6. ARE PROPER LIABILITY RECORDS MAINTAINED ON INDIRECT PAPER? L

In all cases where loans are rediscounted with the bank, the endorser's total indirect liability must be reflected on a liability ledger record in order that the volume of each endorser's liability will be readily available for review and can be controlled.

It is the Local Auditor's responsibility to determine that indirect paper is posted on the liability ledger under the name of the endorser. He should make an exception of any deviation from the procedure during his continuous audits of Commercial Department loans, and follow to see that corrective action is initiated.

7. IS INDIRECT PAPER VERIFIED DIRECT WITH BOTH THE MAKER AND ENDORSER? L

When indirect paper is included in the Local Auditor's random selection of notes to be verified, he must verify the indirect loans with both the maker and the endorser. This is necessary to assure that the paper is bona-fide and that any payments made direct to the endorser are promptly forwarded to the bank.

8. ARE LOAN CLASS CODES CORRECT? L

When reviewing notes, the Local Auditor should determine that each loan reviewed is classified correctly on the computer print-out.

COLLATERAL

Notes and collateral should be audited on a continuous basis by the Local Auditor in the following manner:

The checking of notes and collateral should be tied in with the verification program. Each month, when the loans are verified, notes and collateral for these particular loans should be checked and the questions listed below applied.

One hundred percent of negotiable collateral pledged as security on loans selected for verification should be physically checked and confirmed with the customer.

THE LOCAL AUDITOR SHOULD SEND AN AUDITOR'S EXCEPTION REPORT TO THE HEAD OF THE OFFICE WITH COPIES TO THE DEPARTMENT HEAD AND THE GENERAL AUDITOR ON EACH EXCEPTION LOCATED, MAINTAINING A COPY IN HIS FILES.

1. IS COLLATERAL LISTED ON THE NOTES ON HAND?

The Local Auditor should make an exception for any collateral listed on the notes which is not in the bank's loan files.

2. IS COLLATERAL PROPERLY DESCRIBED ON NOTES?

In the course of checking collateral, the Local Auditor should determine that collateral pledged is described in a manner that positive identification can always be made. Notes secured by assigned life insurance should recite the name of the insurance company and policy number. Notes secured by bonds should recite the issuing agency, par value, interest rate and maturity. Notes secured by security agreements should recite the dates of security agreements and a brief description of type of collateral pledged. Notes secured by real estate should recite date of the security deed to real estate and a brief description as to location or property. Notes secured by savings bonds should show the issuing institution and bond numbers. Where loans are secured by stocks, the number of shares and the issuing corporation should be shown on the notes, but, in addition to this information, the certificate numbers should be shown on the collateral cards.

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COLLATERAL (Continued)

3. IS NEGOTIABLE COLLATERAL UNDER DUAL CONTROL AND HOUSED IN THE VAULT OVERNIGHT? L

The Local Auditor should determine through frequent observation that all negotiable collateral is maintained under strict dual control and locked in the vault overnight. Once dual control is established, the Local Auditor should guard against breakdowns in the control, especially where a change in personnel or assignments is concerned.

4. IS PROPER RECORD KEPT OF ENTRIES INTO THE NEGOTIABLE COLLATERAL? L

This record should be in the form of a journal ledger to which there shall be recorded all the additions to or withdrawals from negotiable collateral. Entries should be dated, and each entry should describe the account involved and the securities which were withdrawn or added. It is not necessary to have a detailed description of the securities by certificate number as a listing of the number of shares and kind of securities involved is ordinarily sufficient. The Local Auditor should inspect this record and question personnel no less than quarterly to be sure that it is being handled properly.

5. ARE RECEIPTS OBTAINED FOR ALL RELEASES OF NEGOTIABLE COLLATERAL? L

In the course of his collateral checking operation, the Local Auditor should spot check negotiable collateral cards to be sure that withdrawals are being receipted for. In cases where the collateral was mailed by registered mail to the borrower, there should be a receipted copy of the letter in file.

6. IS FREE COLLATERAL HELD UNDER DUAL CONTROL OR IN SAFEKEEPING IN THE NAME OF THE CUSTOMER? L

Once every year, the Local Auditor should review the collateral cards for collateral which has not been checked during his periodic reviews during the year, and determine whether or not it is "free collateral". If so, a schedule of the collateral should be made and copies sent to management and the General Auditor. This collateral should be held under dual control.

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COLLATERAL - Continued

7. ARE ALL NOTES OFFICIALLY APPROVED, AND ARE ANY DEMAND NOTES OVER 20 YEARS OLD?

In reviewing the notes, the Local Auditor should check to see that each note and memorandum attached pertaining to unsecured or open amounts is approved by an officer. At the same time, he should observe whether there are any demand notes over twenty (20) years old. If any are located, this fact should be reported as an exception, and a new note with a current date should be obtained.

8. IS THERE PROPER INSURANCE COVERAGE ON ALL COLLATERAL HELD AS SECURITY?

During his review of collateral notes, the Local Auditor should be sure that the collateral is protected with insurance and that the original insurance policy or an acceptable binder or statement of coverage failure insurance is in the bank's possession. The insurance policy should be checked for expiration date, adequacy of amount, type of coverage, description of property insured and loss payable clause in favor of the bank.

9. IS THE FOLLOW-UP SYSTEM ON INSURANCE AND SUSPENSE ITEMS ADEQUATE?

To determine whether or not the follow-up system on casualty insurance is being operated properly, the Local Auditor should test check insurance expiring prior to the maturity of the loans to see if there is a follow-up card in file. Also, when he finds an expired insurance policy in file, he should check to see if a follow-up tickler had been prepared. If not, this would indicate that the system is not being operated properly. In a like manner, there should be a follow-up system, operated properly, on the Loan Department's suspense items. Each time the Auditor finds an exception pertaining to pertinent papers not on hand, he should determine if the failure is due to inadequate follow-up.

COLLATERAL (Continued)

10. HAS THE BANK'S SECURITY INTEREST IN COLLATERAL BEEN PERFECTED?

Except for real estate loans, automobile loans, loans secured by consumer goods where a purchase money security interest is acquired, or where collateral is physically held, the bank's security interest in collateral is perfected by filing a "Financing Statement" with the applicable county. During the course of his checking collateral, the Local Auditor should ascertain whether statements are properly completed. (Do not fill in maturity date.) and filed with the clerk of the appropriate county. Generally speaking, a statement should be filed in all instances except as indicated above. There will, however, be instances where filing is waived, but such waivers should be held to a minimum. All waivers should be initialed by the loan officer. The Local Auditor should make a list of the loans on which the filing of a statement was waived, sending a copy to the head of the office for his information.

11. ARE ALL REAL ESTATE LOANS RECORDED?

The Uniform Commercial Code does not affect real estate loans. These should be recorded as in the past. In checking the real estate loans, the Local Auditor should determine that the deeds are properly recorded.

12. IS THE BANK'S INTEREST IN COLLATERAL SUBJECT TO THE GEORGIA MOTOR VEHICLE CERTIFICATE OF TITLE ACT BEING PERFECTED?

All automobiles, trucks (including tractor-trailer), trailers for tractors, tractors (unless farm equipment), camping trailers, and mobile homes, even if on a foundation, are covered by the Georgia Motor Vehicle Certificate of Title Act. On all 1963, 1964 and subsequent year models, a security interest is perfected by completing Form T1 (Application for Certificate of Title). The bank's name as secured party must appear on this form. A Title Certificate must be obtained on each, and a copy of the Certificate should be in the borrower's collateral file. On all 1962 and older models, a security interest is perfected by filing Form T3 (Notice of Security Interest). As a general rule, a T3 will not be filed except for collection accounts, or where the probability of future trouble is above average.

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COLLATERAL - Continued

On those requiring the filing of Form T-3, a validated copy of the T-3 central filing form must be in the collateral file, or a follow-up card in the follow-up file covering recent transactions.

In checking collateral subject to the Title Act, the Local Auditor should determine whether or not all of the above conditions are met.

13. WHEN CUSTOMERS HAVE TWO OR MORE LOANS SECURED BY THE SAME COLLATERAL, IS EACH NOTE MARKED TO INDICATE THIS FACT? L

The Local Auditor should determine when customers have two or more loans secured by the same collateral that each note is marked "PATL", "PLEDGED AGAINST TOTAL LIABILITY", or in some other manner to indicate that the collateral secures more than one loan. Failure to make some notation on each note might result in premature release of collateral and should be reported as an audit exception.

14. ARE SEPARATE STOCK POWERS OBTAINED FOR EACH CERTIFICATE OF STOCK OR REGISTERED BOND PLEDGED AS COLLATERAL, AND ARE THESE POWERS PROPERLY EXECUTED? L

During his checking of negotiable collateral, the Local Auditor should determine that each certificate or registered bond pledged as collateral is supported by a separate stock power and that the power is signed in the same manner that the stock or bond is issued, and properly completed. The Assignee line and the statement of appointment on the lower half of the form should be left blank.

15. ARE LOANS SECURED BY LISTED OR UNLISTED SECURITIES SUPPORTED BY REGULATION "U" CERTIFICATES? L

There should be a certificate in file to support all loans secured by listed or unlisted securities. This certificate should be signed by the borrower, fully completed in every respect, particularly as to the purpose of the loan, and signed by the accepting officer. The Local Auditor should determine that a properly executed certificate is in file at the time he checks the negotiable collateral. There must be a separate note and executed certificate in file for each loan made for the purpose of purchasing or carrying securities convertible into registered stocks. These certificates must be retained by the bank for at least three (3) years after the loan is paid out, which can be accomplished by attaching the Regulation "U" Certificates to the collateral record cards, which will be held for ten (10) years as the receipt for collateral released.

The Local Auditor should have in his possession a copy of "Loan Operating Procedures Relating to Uniform Commercial Code" for use as a guide in auditing collateral.

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COLLATERAL - Continued

20. ON LOANS SECURED BY SAVINGS ACCOUNTS OR SAVINGS CERTIFICATES, HAVE PROPER NOTATIONS BEEN MADE ON THE SAVINGS RECORDS TO INDICATE THE ACCOUNTS ARE PLEDGED?

All savings accounts and savings certificates that have been pledged as collateral should have sufficient information on the savings records or computer records to indicate the pledge so that the funds will be held. The Local Auditor should determine that savings accounts or savings certificates records have been flagged, and that there are acknowledged change of status cards in file for those accounts or certificates that are on the computer. On exceptions noted, the Auditor should determine whether each failure is due to the Loan Department, Savings Department, or Bond Control.

For savings accounts or certificates not on the computer or with other banks, there should be properly completed assignments and acknowledgements in file.

21. HAS A PROPERLY COMPLETED "FINANCING STATEMENT" BEEN FILED COVERING ALL LOANS SECURED BY PLEDGED ACCOUNTS RECEIVABLE?

It is very important that the bank's security interest be perfected by a filed Financing Statement on all accounts receivable loans. This is filed in the office of the Clerk of Superior Court in the county where the principal place of business is located, if the customer is a partnership or corporation. If the customer is an individual, the filing should be done in the county where he resides. During the course of his auditing collateral, the Local Auditor must be sure that this is done in every instance. In addition, a "Security Agreement" should be obtained in each case, and filed in the customer's collateral file along with a validated copy of the Financing Statement. It also is necessary for the Local Auditor to ascertain that prior to making the first advance, the bank has physically checked the index of Financing Statements (at Superior Court) to determine that ours is on file and that no other financing statement covering accounts receivable or inventory (with proceeds block checked) has been filed prior to ours.

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COLLATERAL - Continued

22. IS THE FOLLOW-UP SYSTEM FOR FILING CONTINUATION STATEMENTS ON PLEDGED ACCOUNTS RECEIVABLE OPERATED PROPERLY? L

A tickler system should be set up in order to obtain and file a new Financing Statement within six months prior to maturity of the first financing statement which is good for five years provided the space for recording maturity date of the loan was left blank. As standard practice, this space should always be left blank. The Local Auditor should check the file to see whether there is a follow-up tickler for each accounts receivable loan as he checks them, and that new financing statements actually are being filed as required.

23. ARE ALL PAYMENTS ON ALL ACCOUNTS RECEIVABLE LOANS MADE BY A REMITTANCE FROM THE FIRM INVOICED, RATHER THAN A REMITTANCE OR A RENEWAL NOTE FROM OUR BORROWING CUSTOMER? L-I

Payments on all Accounts Receivable loans must be made by remittances from the firms invoiced, rather than remittances or a renewal note from our borrowing customer. It is very important that the Local Auditor determine that these loans are being handled in this manner in every instance. Also, remittances for one hundred percent of pledged receivables should be received by the bank. This is necessary to detect fictitious assigned invoices to meet margin requirements. The Local Auditor should question loan personnel thoroughly regarding their procedure, and he should review all payments received during his audit to see that the only remittances being used are those from the invoiced firms. Further, the System Credit Auditor must be appraised of all exceptions. As exceptions are determined, the Local Auditor should write to the Credit Auditor advising him of the matter, sending a copy of the report to the General Auditor. Annually, the System Auditors should include in their audit report a list of all such loans that are not handled on the proper basis.

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COLLATERAL - Continued

24. ARE PLEDGED ACCOUNTS RECEIVABLE CHECKED BY THE LOCAL OFFICE AS TO VALIDITY, PROMPTNESS OF PAYMENT, AND PROPER MARKING OF BORROWERS' RECORDS?

The Local Auditor, in reviewing accounts receivable loans, should determine whether or not the Local Office is checking these points in the routine handling of accounts. At the same time, he should ascertain that pledged Accounts Receivable loans are reviewed as a whole for each borrower rather than on an individual note basis.

25. IS SUBSTITUTION OF INVOICES ON ACCOUNTS RECEIVABLE LOANS PROHIBITED?

The Local Auditor should include in his investigation of the handling of Accounts Receivable loans the matter of whether or not substitution of invoices is permitted. Adequate explanations should be given when substitution is made because it allows fictitious invoices to be added. Above all, this should not be a regular practice. All instances noted should be reviewed with management and listed in the Auditor's Exception Report.

26. ARE CONSTRUCTION LOAN ADVANCES SUPPORTED BY CONSTRUCTION PROGRESS REPORTS?

Prior to advancing funds on a construction loan, a Construction Progress Report should be completed and signed by the lending officer. In some instances, the builder may submit statements of completion, and these statements, if verified and signed by the lending officer, will be acceptable.

27. IS THE AUTHENTICITY OF STOCK CERTIFICATES VERIFIED?

During his quarterly review, the Local Auditor will confirm the authenticity of stocks securing loans with balances of $5,000.00 or more by verifying (using Form 07-0655-0) with the transfer agents, the number of shares held by the customer in each corporation. All of the stocks securing the customer's loan you are reviewing should be verified. Stock securing twenty-five percent of the remaining loans in the quarterly work with balances less than $5,000.00 should also be confirmed. When you prepare your verifications, the collateral cards should be marked in some way to indicate they have been verified. You should also make a list of stocks that transfer agents refuse to confirm, so you will not continue to attempt verification of certificates issued by the same corporations owned by other customers which would be included in future audits.

OTHER

1. IS LIABILITY LEDGER IN BALANCE?

From an operational standpoint, the Local Auditor should determine that the Commercial Loan Department is listing and balancing the Liability Ledger monthly. About once each quarter he should review their tapes to see that the totals are in agreement with the General Ledger. Annually, the Local Auditor should run a trial balance on the Liability Ledger himself. Preferably, this should be done at the time he lists the notes.

OTHER - Continued

2. IS ADEQUATE DESCRIPTION USED IN THE LIABILITY LEDGER?

3. ARE POSTING ERRORS IN LIABILITY LEDGER CORRECTED BY MACHINE POSTINGS?

4. ARE PARTICIPATIONS ENTERED ON THE LIABILITY LEDGER AS AN OFF-SET ACCOUNT

5. IS LIABILITY LEDGER CODED FOR THE PURPOSE OF THE CALL REPORT?

The answers to these questions should be determined whenever the Local Auditor has occasion to review the Liability records. Frequent reviews of this ledger are occasioned by the Auditors obtaining information for confirmations. The Local Auditor should keep these questions in mind or maintain a check list each time he refers to the ledger.

6. IS LIABILITY LEDGER POSTED BY SOMEONE OTHER THAN LOAN & DISCOUNT TELLER?

This is a very important question pertaining to the proper segregation of duties. The Local Auditor should be constantly aware of whether or not the proper separation is being maintained.

7. ARE LOANS COVERED BY CREDIT LIFE INSURANCE REPORTED TO THE INSURANCE COMPANY MONTHLY?

The Local Auditor should acquaint himself with the procedures in this connection, and determine from time to time that the reports are in order and are being made monthly.

8. ARE THERE NO INSTANCES OF VIOLATION OF THE FEDERAL BANK HOLDING COMPANY ACT?

The Federal Bank Holding Company Act prohibits:

(1) Loans made by a Citizens and Southern Affiliate Bank secured by stock of The Citizens and Southern National Bank or any other Citizens and Southern Affiliate Bank, unless the loan is 120 percent secured by such stock.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER - Continued

(2) The sale of The Citizens and Southern National Bank to a Citizens and Southern State Bank of a loan or a participation in a loan.

(3) Any other loan or extension of credit made by a Citizens and Southern State Bank to the National Bank or by any Citizens and Southern State Bank to another Citizens and Southern State Bank.

In the course of checking the notes, the Local Auditor should determine that none of the foregoing provisions have been violated.

9. HAVE ALL NEW LOANS MADE TO OFFICERS BY THE BANK FOR WHICH THEY WORK RECEIVED PRIOR APPROVAL FROM THE BOARD OF DIRECTORS? T

The Traveling Auditors will ascertain this at the time of their annual audit when they obtain a statement of officers indebtedness to banks.

10. ARE ALL CLEARANCE LOANS PAID OUT BY REMITTANCES RECEIVED FROM THE INSURANCE COMPANY DOING THE PERMANENT FINANCING, RATHER THAN FROM OUR BORROWING CUSTOMER? L

All clearance loans should be paid by the company granting the commitment for permanent financing. Under no circumstances should any of these loans be taken up by the borrower himself. Such a practice would indicate either fictitious loans or double financing. The main protection that we have from fraud on the part of a customer in connection with these loans lies in our being sure that the checks in settlement of these loans come from the company handling the permanent financing which, of course, indicates that a valid loan has been placed on their books. The Local Auditor should investigate this in the course of his loan audits.

11. ARE SIGNATURES ON NOTES OF PARTNERSHIPS AND CORPORATIONS IN AGREEMENT WITH THE RESOLUTION FILE? L

In checking the notes, the Local Auditor should compare signatures on these particular loans with the resolution file on a spot check basis to determine that these extensions of credit are proper.

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS LOANS

OTHER (Continued)

12. ARE ALL CHARGES TO RESERVE FOR LOSSES APPROVED? L

This should be ascertained by the Local Auditor on a periodic basis. Any charges to this account should be approved by the Local Finance Committee or local Board. During each audit, the Local Auditor should review the minutes of the Finance Committee or Board of Directors to determine that all charges are approved.

13. ARE OUTSTANDING CHARGE-OFFS VERIFIED? L

The Local Auditor should tie this verification in with his verification of charged-off installment loans. This should be done at the time the Local Auditor balances the profit and loss accounts with the general ledger. In verifying on a spot check basis semi-annually, he should select from five to ten percent of the loans and verify the balances direct with the customer. He should continue to follow for replies until all are received.

14. ARE NOTES OR RECEIPTS IN FILE FOR ALL CHARGE-OFF LOANS? L-T

The Local Auditor should account for all notes or receipts covering loans charged off since his last audit. This should be tied in with his review of the minutes of the local Board.

15. ARE PROCEEDS OF LOANS DISBURSED ONLY BY OFFICIAL CHECK, CREDIT TO A CUSTOMER'S ACCOUNT, OR INTERIOR TRANSFER? L

During his periodic reviews, the Local Auditor should determine through observation, questioning, and test checking, that proceeds of loans are being disbursed only by check, deposit, or interior transfer. In doing so, if the Auditor finds disbursements to someone other than the borrower, the Auditor should determine that there is a properly completed and signed borrower's authorization form in file.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER - Continued

15. ARE CLAIMS ON CREDIT LIFE INSURANCE COVERING TIME LOANS IN ORDER? L

Copies of claimant's Proof-of-Death forms will be forwarded to the Local Auditor by each individual office as claims are made. The Auditor should place these forms in a suspense file. Subsequently, copies of claim drafts which are issued by the insurance company will be forwarded to the respective Local Auditors by System Consumer Credit Department. At this point, the Auditor should match draft copies against claimant's Proof-of-Death forms to account for all claims. A draft not supported by a claimant's Proof-of-Death could indicate a claim purposely withheld from the Auditor. The Auditor must check all credit life claims to verify that the loan was insured the deceased was the person so insured, and that the draft was used to pay off the loan involved. He should review the note (office note tickler where note already delivered), the loan file, and correspondence in an effort to determine that the loan was not fictitious. A loan paid out by credit life insurance a short time after being placed on the books could indicate a fictitious loan made in the name of a person known to have a fatal illness. It also is important for the Local Auditor to thoroughly familiarize himself with instructions outlined in the General Operating Guide pertaining to credit life insurance so he can verify eligibility of borrowers covered and that various other provisions are met.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS LOANS

OTHER - Continued

17. ARE ALL PROVISIONS OF REGULATION "Z" BEING COMPLIED WITH? L

Extensions of credit subject to the regulation are those of $25,000 or less, or if secured by real estate regardless of amount, which are primarily for personal, family, household, or agricultural purposes made to a person. Not subject to the regulation are extensions of credit to corporations, partnerships, trusts, governments, or loans for business or commercial purposes, other than agricultural purposes.

It is the responsibility of the Local Auditor to determine whether or not all disclosure requirements under the Consumer Credit Protection Act (Regulation "Z") are being met. The Local Auditor must be thoroughly familiar with all provisions of the Regulation, the prescribed procedures outlined in Operating Bulletins, and must determine compliance during the course of his periodic audits of loans. The following questions must be answered in determining whether or not there are any exceptions.

HAS THE "ANNUAL PERCENTAGE RATE" BEEN DISCLOSED IN EVERY INSTANCE?

In reviewing the notes, the Auditor should see that the annual percentage rate is disclosed in the space provided. He should question loan personnel as to whether the customer has received a copy of the note without exception. Through observation, the Auditor should ascertain that no customers' copies of notes are filed within the bank.

ARE ANNUAL PERCENTAGE RATE CALCULATIONS VERIFIED ON A TEST CHECK BASIS?

Using the charts developed for this purpose, the Auditor should verify computations on a representative number of loans being audited to determine accuracy. Accuracy must be to the nearest one-fourth of one percent. The amount of the finance charge and the annual percentage rate must be computed on a basis of one-half year maturity for demand loans. The annual percentage rate need not be disclosed where the charge does not exceed $5.00 on $75.00 or less, or $7.50 on an amount financed exceeding $75.00; however, in such instances, the "finance charge" must be disclosed.

ARE THE FINANCE CHARGE AND THE TOTAL OF PAYMENTS DISCLOSED IN ALL INSTANCES?

In addition to the annual percentage rate, the Regulation requires that the finance charge and the total of payments be disclosed on all types of credits covered except real estate loans made to purchase a dwelling. All items of information which must be disclosed have been incorporated in our note and contract forms; therefore, the Auditor should determine that these spaces have been properly filled in.

OTHER - Continued

ARE CHARGES THAT ARE NOT PART OF THE FINANCE CHARGE SPECIFICALLY ITEMIZED AND DISCLOSED?

There are certain charges which are outlined in our Operating Bulletins that may be excluded from the finance charge if they are specifically itemized and disclosed. In addition to charges for credit life insurance, disability insurance, and (SALES FINANCE) property insurance, charges included in the amount financed labeled "Other Charges" must be specified in order to qualify for exclusion as a part of the finance charge. The Auditor should make an exception of any omissions in this regard.

DO LOANS FOR ADVANCES MADE UNDER LOAN COMMITMENTS CONFORM TO THE REQUIREMENTS?

Where advances are made under commitments, if the bank has disclosed the necessary information, and if the customer has approved the information disclosed, disclosure need be made only once, at the time the agreement is extended. If the bank is electing to consider such transactions to be single transactions, it must estimate amount of disbursement and payment dates and disclose this information. These estimations should be reasonably accurate.

ARE THE TERMS "FINANCE CHARGE" AND "ANNUAL PERCENTAGE RATE" IN PRINT MORE CONSPICUOUS THAN OTHER REQUIRED DISCLOSURES?

The forms developed for use by our banks conform to this requirement; however, the Auditor should make sure that the standard forms are being used, or where forms are revised, he should make sure that they comply in this regard.

HAS THE BORROWER SIGNED IN THE SPACE PROVIDED TO SUPPORT HIS REQUEST FOR OR TO DECLINE CREDIT LIFE AND DISABILITY INSURANCE WHEN HE IS ELIGIBLE FOR THE COVERAGE?

When the borrower is not eligible for credit life or disability insurance, the block indicating this fact must be checked and the borrower need not sign. If the borrower requests credit life insurance (and disability insurance where applicable), the applicable block must be checked and the customer must sign in the space provided indicating his desire. The cost of insurance coverage must be disclosed on the face of the note on insured loans. While Regulation "Z" does not require the customer to sign when he declines this insurance, it is bank policy to have the customer sign to the effect that he has declined the insurance coverage. In order to exclude charges for credit life and disability insurance from the finance charge, these charges cannot be conditions of the loan and this fact must be clearly and conspicuously disclosed in writing to the customer. This information is disclosed in the printed forms

OTHER - Continued

which must be used. We must also disclose to the customer his right to obtain property insurance from a person of his choice acceptable to the lender. The Auditor's responsibility is to determine that the applicable blocks are checked, the customer signs separately in the space provided for this purpose, and the insurance cost is shown when the customer requrests coverage.

ARE "STATEMENTS OF COST OF LOAN" COVERING REAL ESTATE LOANS PROPERLY COMPLETED IN ALL RESPECTS?

There are two statement of cost of loan forms, purchase and non-purchase. These forms incorporate all the necessary information to be disclosed in order to conform with the regulation. It is imperative that all applicable spaces be completed including the borrower's signature acknowledging receipt of a completed copy of the statement. In auditing the real estate loans, the Auditor must make sure that all of the required information is properly disclosed.

ARE TRANSFERS OF EQUITY OR LOAN ASSUMPTIONS HANDLED PROPERLY?

All required disclosures must be made to the new customer before he becomes obligated. The transfer of equity form has been revised for this purpose, and the Auditor should determine that a properly completed form signed by both the original borrower and the transferee is in file.

:S EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION :ORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS LOANS

HAS A NOTICE OF RIGHT TO RESCIND CERTAIN REAL PROPERTY TRANSACTIONS BEEN GIVEN TO THE BORROWER?

A customer may exercise his right to rescind any transaction in which a security or lien interest may attach to his residence or real property that is expected to be used as his residence. The customer may cancel the transaction without obligation within three business days after delivery of all disclosures. The customer must receive two copies of the notice of right to rescind, and the bank must retain in file the original notice signed by the customer acknowledging receipt of his two copies of the notice. A printed form using the exact wording required by Federal law has been designed for the bank's use, and no other form of notification may be used. The Auditor must make sure that a properly completed form is in file on applicable transactions.

HAS NO MONEY BEEN DISBURSED EXCEPT IN ESCROW DURING THE THREE-DAY RESCISSION PERIOD?

Under covered transactions, it is imperative that no money be disbursed until the rescission period has expired.

BEFORE DISBURSING ANY FUNDS, HAS THE BANK REASONABLY SATISFIED ITSELF THAT THE CUSTOMER HAS NOT RESCINDED?

The bank must maintain evidence of the bank's satisfaction that the customer has not exercised his right of rescission. The satisfaction must be obtained after the right of rescission period has expired. It is the bank's policy to require a written statement signed by the customer on all applicable SALES FINANCE paper. (A form is provided for this purpose.) On applicable over-the-counter loans, verification may be made by telephone supported by a dated memorandum signed by an authorized person this effect, or by a statement signed by the customer, either delivered to the bank in person or received through the mail. A customer signed statement is preferable. The Auditor should look for evidence of compliance on a test check basis.

HAVE THE REQUIREMENTS FOR WAIVER OF THE RIGHT OF RESCISSION BEEN MET?

In cases of emergency, the customer may elect to waive his right of rescission. However, the waiver must be based on an emergency (for example, repair of roof resulting from a storm), and the waiver must be in the form of a separately dated and signed personal statement describing the situation requiring immediate remedy. Printed forms may not be used for this purpose.

OTHER (Continued)

IS EVIDENCE OF COMPLIANCE WITH THE REGULATION BEING MAINTAINED?

Evidence of compliance must be retained for two years after all disclosures are made. The disclosure copy of notes should be filed in chronological order, and all other disclosure copies, other than notes, should be filed in the credit folder. During the course of his auditing the loans, the Auditor should review the procedure and check for disclosure copies of notes covering specific transactions on a test check basis. Other disclosure copies should be accounted for when the collateral and credit folders are audited.

18. ARE WRITTEN RECORDS OF INQUIRIES IN FILE AS REQUIRED BY THE FAIR CREDIT REPORTING ACT?

Whenever information other than our own ledger experience is given on one of our customers in answer to a telephone inquiry, a written record of the inquiry should be placed in file. When making his periodic reviews, the Local Auditor should determine that this procedure is being followed.

19. ARE COPIES OF DECLINED APPLICATIONS RETAINED?

Copies of all applications for credit which are declined should be retained in files for at least two years.

20. ARE REQUIRED COPIES OF CUSTOMER NOTIFICATIONS OR DISCLOSURES IN FILE?

Whenever the bank requests an investigative consumer report on any consumer, the bank must notify the consumer of that fact not later than three days after the date on which the report was first requested. If the customer requests in writing the nature and scope of the investigation being conducted, the disclosure should be made in writing not later than five days from the date on which the consumer request was received or such report was first requested, whichever is the later. When an application for credit is declined, a letter must be mailed to the applicant telling of the declination when the denial of credit was wholly or partly based on information from a reporting agency or information secured from some other source. A copy of this letter should be retained in file. If we approve credit, but deny credit life and/or disability insurance as a result of our investigation, we must comply with notification provisions of the Act.

21. ARE INSURANCE CERTIFICATES MAILED PROMPTLY?

If an L&D loan is covered by credit life insurance, the insurance certificate must be mailed in time to reach the customer within ten (10) days from the date of the loan, as required by law. The Local Auditor should determine that each office is complying with this legal requirement.

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ASSETS LOANS

WAREHOUSE RECEIPT FINANCING

1. ARE GOODS COVERED BY WAREHOUSE RECEIPTS ADEQUATELY INSURED?

   In checking loans, we should ascertain that the amount of fire and theft insurance is adequate and to whom payable.

2. ARE PARTIAL RELEASES POSTED ON WAREHOUSE RECEIPTS OR CONTROLS?

   In checking loans covered by warehouse receipts, we should be sure that all partial releases are properly posted on the warehouse receipts or controls, so the amount of inventory pledged can be determined.

3. ARE WE RECEIVING A MONTHLY REPORT FROM THE WAREHOUSE AS TO THE INVENTORY ON HAND?

   The bank should have in file from the warehouse a report covering inventory on hand, and this should be checked against warehouse receipts held by the bank by the loan officer.

4. IS A REPRESENTATIVE OF THE BANK MAKING PERIODICAL CHECKS ON THE WAREHOUSE?

   A representative of the bank should, from time to time, make spot checks to ascertain that the goods stored in the warehouse are there, are segregated from goods belonging to others, and are in good shape. Also, the building should be in good condition and adequate to cover goods stored.

5. ARE STORAGE CHARGES BEING COLLECTED?

   The representative of the bank, in making a spot check of the warehouse, should also ascertain that the warehouse is collecting its storage fees regularly (at least quarterly).

6. DO WAREHOUSE RECEIPTS BEAR NAMES OF AUTHORIZED SIGNERS?

   The Local Auditor should review the files and determine who is authorize to sign warehouse receipts. When checking loans secured by warehouse receipts, signatures on the receipts should be checked against authorize signatures, and any obvious discrepancies should be immediately reported to management and the General Auditor.

7. ARE ALL WAREHOUSE RECEIPTS LESS THAN ONE YEAR OLD?

   When revieving warehouse receipts, the Local Auditor should check the dates, and any that are one year or more old should be discussed with management and an exception report written. Except under very unusual circumstances, goods covered by warehouse receipts should be moved within a year.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITO..

ASSETS

FIXED ASSETS

BANK BUILDING

1. IS ORIGINAL COST AND ALL CAPITAL ADDITIONS REFLECTED ON THE GENERAL LEDGER?

At some time during each calendar year, the Local Auditor should make a determination as to whether or not the original cost of the bank building and the land is shown separately on the general ledger. Semi-annually, he should review all charges since last review to determine that all additions represent capital additions. Also, during his audits of the bank's expense bills, he should recognize any items charged to "Repairs and Maintenance" which should have been capitalized.

2. ARE ENTRIES APPROVED BY THE EXECUTIVE OFFICER? L

At the time he reviews the entries to the Banking House account, the Local Auditor should see that all entries to this account have been approved by the Executive Officer of the bank.

3. IS AN ALLOWANCE FOR DEPRECIATION ACCOUNT ESTABLISHED? L

Once each year the Local Auditor should check the bank's general ledger to be sure that annual depreciation charges are being credited to an Allowance account rather than against the asset account.

4. ARE ALL ENTRIES PROPER CHARGES TO THIS ACCOUNT? L

Each time the Local Auditor reviews the entries to this account he should be sure that all entries belong to the account. In particular, the Auditor should look for items charged to this account which should have been charged to "Furniture and Fixtures" or to some expense account.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

BANK BUILDING - Continued

5. IS INSURANCE COVERAGE ADEQUATE? T

When the Traveling Auditors make their Annual Audit which includes a schedule of insurance protection, the Auditor in charge should review all coverages with the person responsible for handling the bank's insurance. This will include coverage for banking equipment and all other types of insurance. If, in the Auditor's opinion, the coverage is not adequate, he should report his opinion to the Comptroller or to the General Auditor.

6. ARE DEEDS AND TITLE POLICIES OR ATTORNEYS OPINIONS ON HAND FOR ALL BANK OWNED PREMISES? T

At the time of the Annual Audit the Traveling Auditors should ascertain by inspection that deeds and title policies or attorney's opinions are in file covering all bank owned premises.

BANKING EQUIPMENT

1. IS THE ORIGINAL COST AND ALL CAPITAL ADDITIONS REFLECTED ON THE GENERAL LEDGER? L

The Local Auditor will review bank expenditures either on a daily or a monthly basis depending upon the office involved. He should at that time assure himself that the proper amounts are being shown on the General Ledger for the items purchased. Also, he should determine whether or not all capital additions to "Furniture and Fixtures" are being entered to the account. To do this, he should keep in mind while auditing the bank's expense bills that no capital expenditures should be posted to the expense accounts. He also should determine that no items which should be expensed are posted to the Furniture and Fixtures Account.

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BANKING EQUIPMENT (Continued)

2. IS AN ALLOWANCE FOR DEPRECIATION ACCOUNT ESTABLISHED? L

Once each year the Local Auditor should check the bank's general ledger to be sure that annual depreciation charges are being credited to an Allowance account rather than against the asset account.

3. IS EQUIPMENT BEING VERIFIED CURRENTLY? L

Annually, using an inventory record maintained by Data Processing Department, the Local Auditor should send a list of equipment charged to each department to the Department Head with a request that the Department Head certify that all equipment included in the list has been physically inspected and is on hand. It is very important that this verification be based on an actual physical inspection by the Department Head or one of his reliable employees acting in his behalf. The Local Auditor should maintain these confirmations in his file, and when he is performing other duties in the departments, he should select items from the inventory lists at random as a test check and account for their existence.

4. IS EQUIPMENT BEING MAINTAINED PROPERLY? L

When the Local Auditor is in the various departments, he and his men should observe the equipment to determine whether or not proper care and maintenance is being undertaken. Bank owned vehicles should also be inspected, and any apparent misuses should be brought to the attention of the head of the office, with a copy of the exception sent to the Comptroller. Misuses include personal use and insufficient mileage as well as the normal abuses.

5. IS PRIOR APPROVAL OBTAINED FROM SYSTEM PURCHASING BEFORE EQUIPMENT IS PURCHASED? L

The Local Auditor should determine during his review of equipment invoices that approval from the System Purchasing Officer had been obtained prior to purchasing items with a unit cost of $50.00 or more.

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ASSETS FIXED ASSETS

OTHER REAL ESTATE

1. IS THE ORIGINAL COST AND ALL CAPITAL ADDITIONS REFLECTED ON THE GENERAL LEDGER? L

2. ARE ALL ENTRIES TO THIS ACCOUNT PROPER, AND HAVE THEY BEEN APPROVED BY THE EXECUTIVE OFFICER? L

3. IS INSURANCE COVERAGE ADEQUATE? L

4. HAS REAL ESTATE ACQUIRED FOR OTHER THAN BANKING PURPOSES BEEN RECORDED AT FAIR MARKET VALUE? L

5. HAS ALL REAL ESTATE ACQUIRED D.P.C. BEEN HELD LESS THAN FIVE YEARS? L

6. ARE RECORDED DEEDS IN FILE? L

During the times the Local Auditor checks the Bank Building and Furniture and Fixture accounts, he should review the "Other Real Estate" record and answer each of the foregoing questions. Recommended procedures for checking out the majority of these questions are covered under Banking House and Banking Equipment. However, with respect to real estate to be acquired for other than banking purposes, the Local Auditor should ascertain that the Comptroller's Office is advised of any potential foreclosure before any action is taken or entries made.

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ASSETS OTHER ASSETS

HOLDING COMPANIES

CASH ON HAND AND ON DEPOSIT IN BANKS

1. HAS CASH BEEN VERIFIED QUARTERLY TO GENERAL LEDGER? L

   Any cash on hand should be verified and balanced from general ledger to the Petty Cash accounts quarterly by the Local Auditor. Proper petty cash vouchers should be completed and approved by the custodian when disbursement is made and receipts or memoranda attached to the voucher. When petty cash is reimbursed, an officer of the company should review these expenditures and approve for charging to the various expense accounts.

2. HAS THE CHECKING ACCOUNT OF THE REAL ESTATE HOLDING COMPANY BEEN RECONCILED MONTHLY? L

   Once each month, the Local Auditor should reconcile this account. In doing this, he should observe the payees and endorsements on checks to determine that they are proper.

3. ARE ALL CHECKS SIGNED AND COUNTERSIGNED BY AUTHORIZED INDIVIDUALS? L

   Each check written should be signed and countersigned by authorized persons. The Local Auditor should see that this is being done when he reconciles the account.

4. ARE PRE-NUMBERED CHECKS USED, AND ARE ALL NUMBERS ACCOUNTED FOR? L

   Pre-numbered checks should be used and always issued in numerical sequence. In reconciling the checking account, the Local Auditor should account for all numbers, including voided checks. The Auditor should also verify that the next unissued check number follows in sequence.

5. HAVE ALL CHECKS WRITTEN BEEN PROPERLY RECORDED IN THE BOOKS OF ACCOUNT? L

   At the time the Local Auditor reconciles the account each month, he should determine that all checks written have been recorded in the proper account on the Holding Company books. These should always be recorded without delay and there should be no exceptions.

6. ARE ALL DISBURSEMENTS SUPPORTED BY INVOICES OR OTHER MEMORANDUM INFORMATION PROPERLY APPROVED FOR PAYMENT? L

   The Local Auditor should satisfy himself that each disbursement is in order. Disbursements should be supported by invoices or other adequate information properly approved for payment. Regular routine disbursements such as lease payments should be in accordance with the lease agreements.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

HOLDING COMPANIES

CASH ON HAND AND ON DEPOSIT IN BANKS (Continued)

7. ARE PURCHASES AND SALES OF REAL ESTATE AUTHORIZED, AND ARE DISBURSEMENTS FOR PURCHASE OF REAL ESTATE VERIFIED WITH THE CLOSING STATEMENTS? L

Purchases and sales of real estate and investments should be authorized by the Board of Directors. The minutes should be checked on an annual basis to determine that all such transactions are authorized. Closing statements on property purchased since the last audit should be checked to determine that the amount listed on the closing statement is the amount entered on the books as the cost of the property.

INVESTMENTS

1. ARE ALL SECURITIES VERIFIED ANNUALLY? L

The Holding Company's entire portfolio should be verified at least once each year. This includes verifying those held for the Holding Company by others and those pledged as security on loans.

2. ARE PURCHASES AND SALES AUTHORIZED? L

Purchases and sales of securities should be recorded in the minutes of the Board of Directors of the Holding Company. On an annual frequency, the Local Auditor should inspect these minutes to determine whether or not all purchases and sales have been authorized by the Board.

3. IS INCOME FROM INVESTMENTS ACCOUNTED FOR? L

Once each year, income from investments should be traced into the appropriate income account.

4. ARE LEASE AGREEMENTS ON HAND AND CURRENT? L

Income should be checked to the lease agreements to determine that payments are in accordance with the leases. Any differences should be reported as exceptions, and the leases should be amended where necessary. Receipts should be deposited promptly.

5. ARE RECORDED DEEDS, ATTORNEYS' OPINIONS OR TITLE CERTIFICATES ON HAND FOR REAL ESTATE OWNED BY THE HOLDING COMPANY, AND IS INSURANCE ADEQUATE? L

On real estate acquired since the previous audit, the files of the Holding Company should be checked to determine that recorded deeds and attorneys' opinions or title certificates are on hand. Insurance on each piece of improved property should be checked annually to determine that insurance is in force and that the amounts are adequate.

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ASSETS — OTHER ASSETS

HOLDING COMPANIES

LOANS

1. ARE NOTE RECORDS IN BALANCE WITH THE GENERAL LEDGER? L
2. ARE NOTES VERIFIED ON AN ANNUAL BASIS? L
3. ARE ALL NOTES OFFICIALLY APPROVED? L
4. IS INCOME ACCOUNTED FOR? L

Annually, notes should be listed, balanced to the general ledger and verified with the maker. Any collateral should be accounted for, and any pertinent papers such as stock powers, security agreements, etc., should be checked in the same manner as outlined in the Commercial Audit Manual. Income from loans and any participations purchased should be checked to the appropriate income account.

OTHER ASSETS

1. ARE OTHER ASSETS VERIFIED? L

Annually, appropriate action should be taken to verify any other assets owned by the Holding Company.

NON-OPERATING CHARGES

1. HAVE THE FOLLOWING TAX RETURNS BEEN PREPARED AND FILED WITH THE APPROPRIATE AUTHORITY? L

   (a) Federal Income Tax Return
   (b) Federal Estimate of Income Tax Return if needed
   (c) Georgia Income Tax Return
   (d) Georgia Estimate of Income Tax Return if needed
   (e) Georgia Domestic Corporation Tax Return
   (f) Georgia Intangibles Tax Return
   (g) Annual Registration with the Secretary of State

The Local Auditor should determine that all returns where required (listed above) have been prepared and filed and that the proper amount of estimated taxes is remitted when due.

OTHER LIABILITIES

1. ARE OTHER LIABILITIES VERIFIED? L

Annually, all other liabilities such as notes payable should be verified by the Local Auditor.

CAPITAL

1. ARE STOCK RECORDS IN BALANCE WITH THE GENERAL LEDGER, AND ARE CANCELLED CERTIFICATES HANDLED PROPERLY? L

The Local Auditor should balance the records of the Holding Company annually against the general ledger to be sure that these records are in agreement as to the number of shares outstanding. He should also check the charter at this time to determine if these shares are issued within the limits of the Holding Company's charter. Any surrendered shares should be checked to determine that they are properly cancelled and endorsed.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS — OTHER ASSETS

HOLDING COMPANIES

SURPLUS

1. ARE ALL ENTRIES APPROVED BY THE BOARD OF DIRECTORS? T

The Traveling Auditors should prepare a schedule of the Surplus account and review the minutes of the Board of Directors to see that all entries to this account are proper and have been approved by the Board.

UNDIVIDED PROFITS

1. IS REMAINDER OF NET PROFITS TRANSFERRED ANNUALLY TO UNDIVIDED PROFITS? T

All entries to this account should be inspected and analyzed thoroughly by the Traveling Auditors. In preparing the schedule of this account in connection with the annual audit, they should be sure that all entries have been approved by the Board of Directors and that only one annual credit is being made rather than a monthly or quarterly credit.

MISCELLANEOUS

1. ARE STATEMENTS SUBMITTED TO THE COMPTROLLER'S DEPARTMENT CORRECT? L-T

Monthly, the Holding Company submits to the Comptroller's Department a Statement of Condition and Operating Statement. The accuracy of these statements should be verified once each year by checking the reports in the Comptroller's files against the books of the Holding Company. The Traveling Auditors should verify that last quarterly statements submitted are correct.

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ASSETS OTHER ASSETS

LETTERS OF CREDIT

1. DOES DETAIL AGREE WITH THE GENERAL LEDGER? L

2. ARE LETTERS VERIFIED CURRENTLY? L

3. ARE FEES VERIFIED CURRENTLY? L

4. ARE ASSETS DEFINED PROPERLY AS TO ACCEPTANCES, ETC.? L

5. ARE ONLY NON-CASH LETTERS HANDLED? L

Quarterly, the Local Auditor should make an audit of the Letters of Credit. He should balance the detail record of letters of credit outstanding against the figures indicated by the General Ledger. Outstanding letters of credit should be verified annually, but rather than verifying all the letters at one particular time, it is suggested that one-fourth of the outstanding letters be verified each quarter. At the time letters of credit are verified directly with the customers, the amount of fees paid by the customers should also be verified and these fees traced into the General Ledger Income Account. During the course of this audit, the Local Auditor should ascertain that the Letters of Credit are being described properly and that no acceptances are shown as Letters of Credit or vice-versa. Also, the Local Auditor should verify that none of the letters handled are cash letters of credit. Generally speaking, we do not handle any cash letters of credit; however, any that are handled must be included as a deposit liability for purposes of F.D.I.C. Insurance.

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ASSETS OTHER ASSETS

1. ARE ALL OPEN INTERIOR TRANSFERS REVIEWED AND TRACED DAILY? L

Interior transfers should be used only when both the debit and credit will clear the same day. Through observation and questioning, the Local Auditor should ascertain that Operations is balancing interior transfers daily and determining why items that do not clear the same day are outstanding. Monthly, the Local Auditor should balance outstanding interiors, review outstanding items, particularly the reasons why outstanding credits did not clear and report any instances where only the debit interior transfers cleared as audit exceptions. Debit interiors outstanding more than one day should be considered exceptions.

2. ARE SHORTAGES ANALYZED ACCORDING TO EMPLOYEES INCURRING THE SHORTAGES? L

3. ARE SHORTAGES IN EXCESS OF $5.00 APPROVED ON THE DATE THEY OCCUR BY AN OFFICER? L

4. ARE PROPER EFFORTS MADE TO LOCATE SHORTAGES? L

5. HAS A REPORT, SHOWING EFFORTS MADE TO LOCATE THE SHORTAGE, BEEN MADE TO THE COMPTROLLER AND THE GENERAL AUDITOR ON ALL SHORTAGES OF $100.00 OR MORE? L

The Local Auditor should keep a running record of all overages and shortages broken down by employees incurring the differences so that a ready reference may be available to determine which employees are incurring shortages and overages. The Local Auditor should analyze this record frequently. Through observation and review of the records and tickets, the Local Auditor should be sure that all overages and shortages exceeding $5.00 are approved on the day they occur by an officer of the bank. Further, the tickets should be fully completed, and must not cover items which should have been charged to "Other Losses." No exceptions to this rule should be permitted. The Local Auditor should be especially alert to discover any "slush" funds which may be used by tellers to balance their cash daily. When overages and shortages occur, the Local Auditor should make certain that adequate efforts are being made to locate the differences. Where the difference is for $100.00 or more, or for a lesser amount when deemed advisable by the Auditor, a report listing efforts to locate the difference should be made to the Comptroller and the General Auditor.

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS — OTHER ASSETS

6. ARE ITEMS INCLUDED IN MISCELLANEOUS ASSETS CORRECTLY CLASSIFIED, AND ARE THEY BEING VERIFIED CURRENTLY? L

The Local Auditor must review all accounts classified as Miscellaneous Assets on the General Ledger and the entries thereto at least semi-annually. He should also keep these accounts in mind when he is inspecting General Ledger tickets during the interim to be sure that none of them should be included elsewhere on the Statement of Condition. The Local Auditor must be aware of any new accounts that are opened. On a frequency of not less than semi-annually, or more often in the judgment of the Auditor, all items included in Miscellaneous Assets should be verified to determine that they actually exist. Further, the Local Auditor should render a report to the General Auditor with a copy to the Comptroller semi-annually listing each account classified as miscellaneous, explaining its purpose. The Traveling Auditors, when preparing a schedule of these accounts, should also study the accounts and their purpose, ascertaining that account titles aptly describe the nature of the accounts, in addition to determining whether the Local Auditor has audited the accounts properly.

7. IS ACCRUAL LEDGER CONTROL ACCOUNT IN BALANCE WITH ACCRUAL DEPARTMENT RECORDS? L-T

This should be verified twice each year. All Local Auditors should use the monthly report from the Accrual Department to obtain the figures relating to their office. These figures should then be checked once each year against the Accrual Ledger Control Account to determine that they are in agreement. The second annual verification should be made by the Traveling Auditors at the time they make their annual audit.

8. IS A RECORD OF MISCELLANEOUS RECEIVABLES MAINTAINED AND IS IT USED PROPERLY? L

The Local Auditor should be aware of any existing receivables such as coin books, bazaar and other items sold to customers which are floating rather than being recorded in a sundry receivables account on the General Ledger. The Local Auditor can accomplish this more effectively by being alert to the existence of such items during the time that he is making audits of the various departments.

9. ARE TRAVEL ADVANCES REVIEWED? L-T

At least quarterly, the Local Auditor should balance and review travel advance records to see that advances are being cleared promptly, generally within three (3) days of the traveler's return. The traveling auditors should also review the travel advance records when they prepare annual reports.

POOR COPY

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LIABILITIES DEPOSITS

CHECKING ACCOUNTS

Auditing procedures, in some instances, will vary depending on the bookkeeping system used. The Local Auditor will be expected to exercise his judgment with respect to the application of audit techniques.

1. IS THE TOTAL OF INDIVIDUAL ACCOUNTS BALANCED TO THE GENERAL LEDGER CONTROL ACCOUNT WITH THE PROPER FREQUENCY? L

COMPUTER PROCESSED ACCOUNTS

The Local Auditor should, by observation, determine that computer produced trial balance totals are recapped and balanced to the general ledger control at the proper intervals by personnel not directly involved in the processing of the account records. He should also recap these totals and balance to the general ledger when his direct verification print-out is received.

NON-COMPUTER SYSTEMS

Quarterly, the Local Auditor should recap the department's trial balance tapes and balance the total to the general ledger control account. By observation, he should determine that the Bookkeeping Department is performing a trial balance of the account records and balancing to the general ledger at least monthly. All ledgers should be listed once each year by auditing personnel. This listing may be by book or section at various times during the year at which time the book listed will be balanced to its respective control and the controls balanced to general ledger. Also, the listing may be incorporated with the direct verification program.

2. ARE PROCEDURES IN EFFECT THAT WILL DETECT THE UNAUTHORIZED REMOVAL OF AN ACCOUNT?

COMPUTER PROCESSED ACCOUNTS

After each cycle of statements has been run by the computer, the Local Auditor should run his Interim Balance Program in order to compare the balance sent to the customer with an updated balance from the Audit Master Tape. Any differences in the two balances, changes of address, and account title changes are listed on a print-out as exceptions and should be investigated to determine the causes.

NON-COMPUTER SYSTEMS

From time to time, the Local Auditor should check back trial balance tapes to the ledgers. This should be done two or three weeks after the date of the trial balance. Strict control must be maintained over the sections selected, or the audit will be of no value. If there were any defalcations concealed in the books, and if the bookkeeper had failed to remove the account under the assumption that the section would not be subject to audit until the following year, the re-checking of the list could uncover it.

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKING ACCOUNTS (Continued)

3. ARE POSTING ERRORS CORRECTED BY MACHINE POSTINGS, AND ARE THE STATEMENTS CLEAN AND NEAT? L

The Local Auditor should observe, during the times that statements are handled for other audit purposes, whether or not statements are clean and neat. He should also determine that all posting errors are corrected by machine postings.

4. ARE SUSPENSE ITEMS INTERCEPTED AND TRACED BI-MONTHLY? L

Approximately once every other month, the Local Auditor should intercept all suspense and return items handled by the Bookkeeping Department to satisfy himself that all are in order by determining the source of the items and the disposition of all questionable items. A questionable item would be, for example, a check returned to a department within the bank for reason "No Account". These items should be traced to final disposition. All items should be marked with an identifying mark, preferably an Auditor's stamp which could not easily be erased. All items returned again must be referred to the Local Auditor. The Local Auditor should re-inspect the suspense items for the next week or ten days to see that none are being run-around internally, and that all items have cleared. At the beginning of the audit, it is very important for the Auditor to balance the suspense items against the Suspense account in order to account for all items in this category.

5. ARE DAILY DEBITS AND CREDITS BALANCED AT PROPER INTERVALS? L

This work should be tied in with the audit of suspense items. On the day that the Local Auditor intercepts and traces suspense items, he should also recap the debits and credits from the posting records and reconcile this figure to the total debit and credit figure charged to the department by the general ledger.

6. ARE ALL DEPOSITS POSTED DAILY? L

All deposits should be posted daily under date received. Deposits that cannot be identified should be credited the same day to an Unclaimed Deposit Suspense account ("Unclaimed Deposits-Under 60 Days") in Bookkeeping. The Local Auditor should review this account at least monthly to determine the disposition of all deposits, and that proper efforts are made to identify the depositors. After a reasonable time, but no longer than 60 days, deposits that remain unclaimed should be transferred to an Unclaimed Deposit account on the general ledger. The deposit tickets and a copy of the credit to Unclaimed Deposits should be forwarded to and controlled by the Customer Service Manager in Atlanta and the Bookkeeping Manager or Cashier in other offices. No debits against this account should be permitted without the prior initialed approval of the controlling officer and the employee handling the transaction. When a deposit is removed from the general ledger Unclaimed Deposit account, the Local Auditor must determine what disposition was made of it and send a positive verification to the depositor whose account was credited. The customer's name, address and account number will be shown on the Unclaimed Deposit debit. The Local Auditor should be particularly alert to discover unclaimed deposits being transferred to a fictitious account against which subsequent withdrawals could be made. Any deposits not claimed within six months from the date of the deposit should be transferred from Unclaimed Deposits on the general ledger to Other Recoveries, an account on which the Local Auditor will review and approve all debits prior to their being posted, or if the Local Auditor is not available, a disinterested officer and the Bookkeeping Manager will approve the debits.

CHECKING ACCOUNTS (Continued)

11. ARE REGULAR OVERDRAFTS APPROVED BY AN OFFICER OR AUTHORIZED PERSON?

An account may be automatically overdrawn up to a specified limit provided an officer gives his authorization to do so in each instance. The Local Auditor should determine that the regular lists of overdrafts submitted to the officers are being approved by the officers. In addition, whenever the Local Auditor is running a list of the ledgers or preparing statements, he should make a notation of all the accounts which are overdrawn to see that these accounts appear on the list of overdrafts reviewed by officers.

12. ARE UNCOLLECTIBLE OVERDRAFTS CHARGED OFF WITHIN A REASONABLE TIME?

The Local Auditor should know in particular the length of time each overdraft has existed. He can determine this when reviewing the overdraft list or handling the accounts for other audit purposes. Overdrafts should be charged off as soon as practicable where there is no apparent chance of collection. Uncollected overdrafts caused by service charges should be charged back to the appropriate service charge account.

13. ARE PROPER EFFORTS MADE TO COLLECT OVERDRAFTS?

In reviewing the overdrafts, the Local Auditor should ascertain that proper efforts are being made to collect them before they are classified as uncollectible. On those that have been classified as uncollectible and charged off, the Local Auditor should satisfy himself that collection follow-up is maintained.

14. ARE DISINTERESTED PERSONS PREPARING STATEMENTS?

The Local Auditor should determine this by observation. Personnel of the Bookkeeping Department must not prepare checking account statements for mailing on accounts which they post and they must not have unrestricted access to these statements while they are being prepared by detached persons. They may, however, prepare statements on other accounts on an unannounced rotation basis.

15. IS CONTROL MAINTAINED OVER STATEMENTS UNTIL MAILED?

After the statements have been prepared for mailing, they must remain under strict control of detached persons until the statements and cancelled checks are mailed out or delivered to the customer. Each month the Local Auditor should observe whether or not maximum control is maintained over prepared statements to eliminate the possibility of alterations or changes being made on statements prior to mailing. Braille Account cancelled checks and copies of statements should be properly controlled and safeguarded by the Atlanta Marietta Street Office until mailed to the customers.

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CHECKING ACCOUNTS (Continued)

16. IS THE MAJORITY OF STATEMENTS MAILED TO CUSTOMERS? L

Generally, the majority of active customers' statements is mailed wherever possible to reduce lobby congestion and afford a more effective audit control. The Local Auditor should determine the volume of non-mail statements through observation. He should also observe the number of accumulated statements not being called for by the customers. These should be called to the attention of the Operations Officer who should have someone contact the customers in an effort to place them on the mailing list. This would reduce the Auditor's work in verifying non-mail statements.

If the bank is not mailing inactive personal checking account statements with balances under $500.00 because of no maintenance charge and our dormant control program, that fact should be reported to the Board of Directors and recorded in the minutes. These "no activity" statements should be mailed once each six months by the Local Auditor, with a negative verification enclosed. If a statement is returned by the post office as undeliverable, the account should be transferred to dormant.

17. ARE ACCOUNTS VERIFIED ANNUALLY? L

These accounts should be verified directly with the depositor on a negative basis. The verification data will be printed on the Audit Verification form using a computer program which will select at random those accounts to be verified. A random selection of about 3% per month, or 9% per quarter, of the accounts should be verified; and during a period of one year, at least 33% should be verified. If a verification is printed without a mailing address, the Local Auditor should make every effort to verify the balance with the customer on a positive basis.

18. ARE NON-MAIL STATEMENTS VERIFIED ANNUALLY? L

All non-mail statements which are included in the group being audited by the Local Auditor should be verified with the customers on a positive basis. These verifications should be maintained in the Local Auditor's files. Also, on computer processed accounts, a listing of those accounts for which a statement was not prepared by the Computer Center during the previous monthly audit period is a by-product of the Interim Balance Program runs. The Local Auditor should verify these balances on a positive basis once a year.

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CHECKING ACCOUNTS (Continued)

19. ARE BANK ORIGINATED DEBIT ENTRIES APPROVED BY AN OFFICER? L

The Local Auditor should determine whether or not debits originated by the bank against checking accounts are approved by officers or properly authorized individuals. The only exceptions permitted are as follows:

CHECKING ACCOUNTS

1. Metered Service Charges
2. Return Item Charges
3. Deposit adjustments of less than $5.00
4. Charges for overprinted checks
5. Regularly established automatic charges to a checking account--loan payments, transfer to savings, to purchase bonds, etc.

All tickets must bear adequate descriptions of transactions. No official approval is required for credit entries, except credits to Overage and Shortage accounts. Names of individuals preparing tickets, and signatures and titles of officers approving the entries, must appear on the tickets.

BRANCH OFFICES AND LARGE OPERATING DEPARTMENTS STAFFED WITH ONLY ONE OFFICER

For branch offices or large operating departments where there is only one officer assigned, a designated managerial person of the same area may approve debit tickets provided there is on file a letter indicating that the individual has authority to approve debit tickets.

20. ARE CHECKS BEING CANCELLED PROPERLY? L

At the time of review of debit entries for approval, the Local Auditor should determine that checks and other debit items have been properly cancelled.

21. ARE PAID AND CANCELLED CHECKS PROPERLY SAFEGUARDED AND NEVER AVAILABLE TO ALL MEMBERS OF THE STAFF WITHOUT RESTRICTION? L

It is necessary to be able to place responsibility for paid checks at all times. The person designated this responsibility should always approve the removal of any items, and this person should account for

their return. This can be accomplished only when access to the files is limited to those authorized and when the files are locked overnight with the key(s) properly controlled. The Local Auditor should observe this frequently to assure himself of full compliance by the Bookkeeping Department.

22. ARE ACCOUNTS BEING ANALYZED AND NON-PROFITABLE ACCOUNTS BILLED FOR LOSSES?

About once every sixty to ninety days, the Local Auditor should investigate the procedure for analyzing checking accounts to determine whether or not charges are being made against each customer where such action is warranted In particular, he should question personnel regarding the practice of basing charges on past experience or an estimation, neither of which should be permitted.

23. ARE UNPOSTED CHECKS AND DEPOSITS LOCKED UP UNDER PROPER CONTROL WHEN UNATTENDED? L

All checks and deposits to be posted must be safeguarded overnight or when unattended so that unauthorized persons positively do not have access to them. This means that the keys to the file housing the items or the key to the computer room must not be left in an unlocked desk drawer. The Local Auditor should make periodic inspections, not less than one each quarter, to determine compliance.

24. ARE ALL CHECKING ACCOUNT STATEMENTS RETURNED TO THE BANK FOR CORRECT ADDRESSES REFERRED TO THE LOCAL AUDITOR? L

All statements returned by the post office should be referred to the Local Auditor who, without delay, should forward them to the Operations Department for correct addresses using the "Returned Statement Check List" three-part Form #7-288 for the transmittal. The Operations Department should determine the correct address, make the proper changes, and return the statements to the Auditor for mailing.

Using his follow-up record, the Local Auditor should see that no changes have been made on these statements other than the address, then re-mail the statements to the customers enclosing a negative verification.

From the time of receipt until they are re-mailed, returned statements must be properly controlled, and never left exposed and unattended overnight. If a correct address cannot be determined, the account should be transferred to dormant.

25. ARE CHANGES OF ADDRESS ON CHECKING ACCOUNTS VERIFIED WITH THE CUSTOMER?

The Local Auditor should determine the authenticity of at least five percent of significant address changes on checking accounts by mailing a Change of Address verification form to the customer's old address. It is not necessary that a verification be mailed where the address change was not significant, e.g. a typographical or spelling error. All changes from street addresses to post office boxes must be verified. In those banks where the accounts are processed by computer and the Interim Balance Control Program is in effect, address changes may be determined by referring to the Daily Exception list or the monthly comparison of Demand Deposit Master File tapes.

26. IS THE SIGNATURE CARD FILE IN ORDER AND AVAILABLE TO BOOKKEEPERS?

The Local Auditor should, by observation, determine that the signature card file is being kept current and that it is readily available to bookkeepers. Where checks are paid during the filing operation, a signature card for each account should be in the check file guides. When reviewing the signature card file, the Local Auditor should determine that the Social Security number of at least one of the people authorized to sign is shown on any account opened after June 30, 1972. This tax identification number may be shown on a business account. The signature card files should be locked when unattended.

27. ARE CURRENT FILES REVIEWED FOR INACTIVE ACCOUNTS?

Dormant demand deposit accounts should be removed from the active files by the Local Auditor and placed under the control of Operations personnel. To accomplish this objective, the Local Auditor must do the following:

1. Identify accounts inactive for a period of twelve months or more and send a positive verification to each depositor.

2. If the depositor does not reply to the verification, the account should be reviewed with a Bookeeping Department Manager or Supervisor to establish by mutual agreement the status of the account.

3. Remove dormant status accounts from the active accounts and transfer the balances to a General Ledger account for dormant or inactive checking account balances. The final statement on each account will be used by Operations as a ledger to support the balance in the General Ledger account.

The method employed by the Auditor to identify dormant checking accounts will depend on the method by which demand deposit accounts are processed.

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CHECKING ACCOUNTS (Continued)

Computer Processed Accounts--Atlanta

A computer program is used on a bi-monthly basis to audit inactive demand deposits for those banks on the Atlanta DDA computer system. This program has the following functions:

1. Bi-Monthly--Prepare a listing and punch master file change cards for those accounts inactive six months or more (suspect dormant accounts). The cards may be used in a maintenance processing run to place a "D" in the status code field of the account record.

2. Bi-Monthly--Prepare a listing, print verifications, and punch master file change cards for those accounts having activity after the account records were coded to indicate the accounts were "suspect dormant." The verifications should be mailed to the customers, and for those sucessfully verified the Master File Change Card should be used to remove the "D" status code.

3. Annually--Prepare a listing, print verifications, and punch transaction cards and "C" status cards for those accounts inactive twelve months or more. For each account in dormant status, the transaction card and "C" card may be used to close the account and to remove the account record from the file.

Computer Processed Accounts--1400 System

Every two months the Local Auditor will use a computer program to update his audit master file of demand deposit accounts by comparing date on this file with current account data. The printed output from this run lists accounts closed since the previous run and accounts having activity after an inactive period of six months. The updated audit master is a file of account records, each of which includes a date of last activity.

After six months of inactivity, the account will be coded "suspect" dormant" and a positive verification should be mailed on any of these accounts having subsequent activity. If an account which must have a statement rendered each month is inactive for twelve months, the Local Auditor will have the account coded "dormant" and add it to the list of dormant accounts in the active files.

Non-Computer Systems

The Local Auditor should identify accounts inactive twleve months by comparing statement stubs or history cards every six months. These accounts should be handled as outlined above. The result for each will be a transfer to dormant files unless the account must have a statement rendered every month.

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CHECKING ACCOUNTS (Continued)

28. ARE DORMANT CHECKING ACCOUNT RECORDS MAINTAINED AND CONTROLLED? L

The Operations area is responsible for maintenance of the dormant checking account records, including signature cards, balancing the ledger to the General Ledger control account quarterly, and reactivating those accounts having activity. Annually, the Auditor will list the dormant ledger and balance the total to the General Ledger. By observation it should be determined that the dormant ledger is housed in a locked, fire-resistant cabinet, and that the signature cards are maintained in a locked cabinet with the key under control of a disinterest person.

29. ARE ENTRIES TO DORMANT CHECKING REVIEWED BY THE LOCAL AUDITOR? L

The Local Auditor will receive copies of any entries to dormant checking accounts; and, in addition to reviewing the entries for authenticity and joint approval by an Operations Officer and the employee handling the transaction, he should send a positive verification to the customer on any account reactivated.

30. ARE STOP PAYMENT FILES CURRENT, AND ARE COPIES OF STOP PAYMENT ORDERS DISTRIBUTED PROPERLY? L

Procedures for handling stop payments will vary because of the differences in bookkeeping systems. At least quarterly, the Local Auditor should ascertain that the system used is adequate, old stop payments are not cluttering up the file making it difficult to locate current stop payments, and that stop payment orders are being distributed to all parties concerned.

31. ARE SIGNATURES ON CHECKS AND SIGNATURE CARDS IN AGREEMENT WITH THE CORRESPONDING CORPORATE RESOLUTIONS? L

On a random selection basis, the Local Auditor should see that there is a resolution covering corporate depositors, that the signature card is in agreement with the resolution, and that signatures on checks agree with the signature cards.

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CHECKING ACCOUNTS (Continued)

32. IS THE HOUSING OF STATEMENTS FIREPROOF? L

(This question is applicable only where accounts are not processed by computer.) By observation, the Local Auditor should determine the security of statements from the standpoint of their being protected from fire and their being locked, when not in use, inaccessible to unauthorized personnel.

33. IS BOOKKEEPING PERSONNEL PROPERLY TRAINED TO RECOGNIZE THE PRACTICE OF KITING OR DRAWING CHECKS AGAINST UNCOLLECTED FUNDS? L

This should be determined by the Local Auditor. The easiest way to make this determination is by interviewing various personnel of the Bookkeeping Department on a regular routine with special emphasis placed on new personnel. The Local Auditor will want to use tact in questioning these people, and he should also instruct his clerks to be alert for kiting situations when they are handling the accounts.

34. ARE COMPUTER PRODUCED KITING SUSPECT REPORTS REVIEWED AND USED PROPERLY? L

Ability to detect kiting situations is essential. To this end, the bank's computers are programmed to produce kiting suspect reports at regular intervals. Unless these reports are reviewed, and used properly, they are meaningless. On a quarterly frequency, the Local Auditor must make a definite determination that:

(1) Reports are being received by managers and supervisors of the bookkeeping function;

(2) Reports are being reviewed and all suspect accounts followed to a satisfactory conclusion. (There should be notations written on the reports regarding conclusions.) The Auditor should occasionally discuss with the individuals responsible for reviewing reports their follow-through procedures to make sure there is complete understanding of all information contained in the reports.

35. ARE NEW CHECKING ACCOUNT CUSTOMERS PROPERLY IDENTIFIED AND INVESTIGATED? L

Frequently, a dishonest person will open an account for the purpose of defrauding the bank. It is imperative that new account customers be positively identified and proper investigation conducted. It is the Local Auditor's responsibility to determine whether or not this is being done. He should review the new account slip file on a quarterly frequency to see that slips are fully completed and that proper investigation is made. Frequent waivers of investigation should be brought to the attention of management with an Audit Exception Report.

CHECKING ACCOUNTS (Continued)

36. DOES THE LOCAL AUDITOR VERIFY CLOSED CHECKING ACCOUNTS?

The Local Auditor should mail negative verifications to persons closing checking accounts during the month. This is to confirm that the account was properly closed by the customer. A minimum of twenty percent of closed accounts, not including those closed by service charges, should be selected at random for verification. For those accounts processed by computer, a computer program may be used for the random selection of accounts and preparation of the verification. In some locations, it may be preferable to have the final closing statement diverted to the Local Auditor for mailing. A computer print-out of accounts closed would be mandatory if statements are diverted, so the Local Auditor could select the closed account to be verified from the list, insert his verification, and mail the statement.

37. ARE PRINT-OUTS OF CHECKING ACCOUNTS PROPERLY CONTROLLED?

Computer print-outs showing information as to account numbers, balances, dates of last activity, etc., must be controlled and locked up overnight, so the information will not be available to unauthorized individuals. Outdated print-outs must be shredded or destroyed in some other manner, and not just tossed in the trash.

38. ARE CREDITS, OFFSETTING LARGE DEBITS TO CHECKING ACCOUNTS, TRACED TO DETERMINE DISPOSITION OF FUNDS?

The Local Auditor will trace all credits offsetting bank originated debits to customers' checking accounts of $50,000.00 or more each to determine that the funds were applied as instructed by the customers. In some instances, a positive verification of the transaction with the customer might be required. The Local Auditor will be provided with a computer listing of all such charges showing customer name, account number, and amount of each charge for $25,000.00 or more. At least twenty percent of the credits offsetting debits between $25,000.00 and $50,000.00 and all credits $50,000.00 or more will be traced.

39. ARE INTERIM BALANCE CONTROL EXCEPTIONS REVIEWED?

It is the Local Auditor's responsibility to review and determine the authenticity of items printed as exceptions, in his home office. If he is responsible for auditing other banks, and it is not practical to review items before statements are mailed, the checking will be performed in those banks by individuals named by the presidents. In these instances, the Local Auditor should determine that authenticity of items is being verified.

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

OTHER DEMAND DEPOSITS

1. ARE DEMAND CERTIFICATES OF DEPOSIT VERIFIED DIRECTLY? L

Any demand certificates of deposit on the books should be verified directly with the customer by the Local Auditor on an annual basis. If there is no response to the annual verification for seven consecutive years, the balance is to be transferred to Other Income.

2. ARE ALL OFFICIAL CHECKS RECONCILED MONTHLY BY THE LOCAL AUDITOR? L

The Local Auditor should reconcile all official check accounts on the general ledger and determine that the checks are being signed with authorized manual or facsimile signatures. Reconciliation frequency will vary from office to office, but should be no less than monthly.

3. ARE OFFICIAL CHECKS OUTSTANDING TWELVE MONTHS TRACED? L

The Local Auditor should trace official checks outstanding more than twelve months. He should exercise caution in doing this, however, and make sure that he is contacting the proper persons. If there is no response from the customer, the deposit should be transferred to Other Income at the end of seven years.

4. ARE UNISSUED OFFICIAL CHECKS AND THE CHECK SIGNING MACHINE PROPERLY CONTROLLED? L

During his periodic reviews, the Local Auditor should inspect the next numbered check following the number of the last check issued by the Exchange Teller, to be sure that there are no pre-signed checks on hand. He should also determine that there are no unnumbered checks in possession of the clerk having custody of official check blanks, that only an operating supply of checks is being carried by the clerk, and that the vault supply of official checks is under proper control. The Local Auditor should determine that the check signing machine is not left unlocked and unattended, and on the day of his review of official checks he should reconcile log impressions to the machine register. These are very important considerations and should not be overlooked by the Auditor.

5. ARE CASH COLLATERAL ACCOUNTS PROVED TO THE GENERAL LEDGER SEMI-ANNUALLY? L

The cash collateral accounts, including "Direct Leasing", should be proved to the general ledger figures by the Local Auditor at least semi-annually.

6. ARE CASH COLLATERAL ACCOUNTS VERIFIED SEMI-ANNUALLY? L

The Local Auditor should verify directly with the customer each of the cash collateral accounts which are carried on the Statement of Condition under the heading "Cash Collateral Accounts". This verification should be carried out semi-annually on a positive basis.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

COMPUTER PROCESSED SAVINGS

1. ARE RECORDS BALANCED DAILY TO THE GENERAL LEDGER? L

Banks on the computer system should balance the totals to the general ledger daily. The Local Auditor should determine that this is a continuing practice; and on a quarterly basis, he should reconcile the computer totals with the general ledger control himself.

2. ARE SAVINGS ACCOUNT TRIAL BALANCES RUN PERIODICALLY BY AUDITING PERSONNEL? L

The Local Auditor should use his own computer program in running trial balances of the savings accounts in connection with his routine verification program.

3. ARE DAILY SAVINGS CREDITS VERIFIED AGAINST THE POSTING JOURNAL EACH DAY? L

Through questioning and observation, the Local Auditor should determine that the individual responsible for checking the daily savings work and balancing to the general ledger is also checking savings credits against the posting journal. These credits must be verified and filed daily.

4. ARE SIGNATURES ON WITHDRAWALS OF $500.00 OR MORE PROPERLY VERIFIED? L

Savings withdrawal tickets of $500.00 or more should bear the initials of two tellers -- one of whom actually handled the transaction for the customer, pulled the signature card, compared the signatures, placed a hold on the account, etc., and the other initials should belong to a teller next to the person handling the transaction, and should be placed on the withdrawal slip before the money is paid to the customer. Drive-in customers requesting withdrawals of $500.00 or more should be referred to inside tellers. This procedure will help assure us that the funds were paid to an individual at the window. Withdrawals from five percenter savings will be "file-paid" by the five percenter bookkeeper. The dates on five percenter withdrawal slips should be checked against the dates processed to be sure that none are post-dated. If one is, it could have been a slip taken in connection with an unsecured five percenter loan, which was to have been paid from a five percenter savings account at maturity, and the slip was misused. Such an entry should be traced to determine final disposition of the funds and an Audit Exception Report issued. The Local Auditor should observe and test check withdrawal slips to determine that these procedures are carried out properly.

5. ARE SAVINGS ACCOUNTS VERIFIED? L

The Local Auditor should verify savings accounts direct with the customers covering 33% or 34% of the accounts annually. Be sure to verify closed accounts as well as active. Accounts to be verified should be selected at random at unannounced intervals, using the Local Auditor's trial balance and negative verification programs.

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

COMPUTER PROCESSED SAVINGS ACCOUNTS - Continued

6. ARE CURRENT FILES REVIEWED FOR INACTIVE ACCOUNTS? L

Dormant regular savings accounts should be removed from the active files by the Local Auditor and placed under the control of Operations personnel. To accomplish this objective, the Local Auditor must do the following:

1. Identify accounts inactive for a period of three years or more and send a positive verification to each depositor.

2. If the depositor does not reply to the verification, the account should be reviewed with the officer responsible for savings accounts to establish by mutual agreement the status of the account.

3. Remove dormant status accounts from the active accounts and transfer the balances to a General Ledger account for dormant or inactive savings account balances. The final statement on each account will be used by Operations as a ledger to support the balance in the General Ledger account.

The method employed by the Auditor to identify dormant savings accounts will depend on the method by which regular savings accounts are processed.

Computer Processed Accounts--Atlanta

A computer program is used on a semi-annual basis to audit inactive savings deposits for those banks on the Atlanta Regular Savings computer system. This program has the following functions:

1. Semi-Annually--Prepare a listing and punch master file change cards for those accounts inactive eighteen months or more (suspect dormant accounts). The cards may be used in a maintenance processing run to code the account record inactive.

2. Semi-Annually--Prepare a listing, print verifications, and punch master file change cards for those accounts having activity after the account records were coded to indicate the accounts were "suspect dormant." The verifications should be mailed to the customers, and for those successfully verified, the MFC card should be used to remove the inactive status code.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

COMPUTER PROCESSED SAVINGS ACCOUNTS--Continued

3. Annually--Prepare a listing, print verifications, and punch transaction cards and status cards for those accounts inactive three years or more. For each account in dormant status, the punched cards may be used to close the account and to remove the account record from the file.

Computer Processed Accounts--1400 System

Every six months the Local Auditor will use a computer program to update his audit master file of savings accounts by comparing data on this file with current account data. The printed output from this run lists accounts closed since the previous run and accounts having activity after an inactive period of eighteen months. The updated audit master is a file of account records, each of which includes a date of last activity.

After eighteen months of inactivity, the account will be coded "suspect dormant" and a positive verification should be mailed on any of these accounts having subsequent activity. If an account is successfully verified with the customer after three years of inactivity, the Local Auditor will have the account coded "dormant" and add it to the list of dormant accounts in the active files.

Non-Computer Systems

The Local Auditor should identify accounts inactive three years by reviewing the savings ledgers annually. These accounts should be handled as outlined above. The result for each will be a transfer to dormant files if the customer does not reply to a positive verification.

7. ARE DORMANT SAVINGS ACCOUNT RECORDS MAINTAINED AND CONTROLLED? L

The Operations area is responsible for maintenance of the dormant savings account records (including signature cards), balancing the ledger to the General Ledger control account quarterly, and reactivating those accounts having activity. Annually, the Auditor will list the dormant ledger and balance the total to the General Ledger. By observation it should be determined that the dormant ledger is housed in a locked, fire-resistant cabinet, and that the signature cards are maintained in a locked cabinet with the key under control of a disinterested person.

COMPUTER PROCESSED SAVINGS ACCOUNTS - Continued

12. ARE PRINT-OUTS OF SAVINGS ACCOUNTS CONTROLLED?

Computer print-outs showing information as to account numbers, balances, dates of last activity, etc., must be controlled and locked up overnight, so the information will not be available to unauthorized individuals. Outdated print-outs must be shredded or destroyed in some other manner, and not just tossed in the trash.

13. ARE BANK ORIGINATED DEBITS TO SAVINGS ACCOUNTS APPROVED BY AN OFFICER?

The Local Auditor should determine whether or not bank originated debits to savings accounts are approved by officers. The only exceptions permitted are:

1. Charges for excessive withdrawals.

2. Deposit adjustments less than $5.00.

All debits must bear adequate descriptions of transactions. No official approval is required for credit entries, except credits for overages. Names of individuals preparing tickets, and signatures and titles of officers approving the entries, must appear on the tickets.

BRANCH OFFICES AND LARGE OPERATING DEPARTMENTS STAFFED WITH ONLY ONE OFFICER.

For branch offices or large operating departments where there is only one officer assigned, a designated managerial person of the same area may approve debit tickets provided there is on file a letter indicating that the individual has authority to approve debit tickets.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES — DEPOSITS

TIME CERTIFICATES, SAVINGS BONDS AND CERTIFICATES OF DEPOSIT

1. ARE TIME CERTIFICATES OF DEPOSIT AND SAVINGS BONDS PROVED MONTHLY BY THE DEPARTMENT? L

NON-COMPUTER SYSTEMS

Time Certificates of Deposit and Savings Bonds should be listed and balanced against the general ledger control by the department at least monthly. It is the Local Auditor's responsibility to ascertain by an inspection of the tapes that this is being done by the department as a regular routine. Quarterly, the Local Auditor should recap the last balancing tapes to be sure that they are in agreement with the general ledger.

COMPUTER PROCESSED ACCOUNTS

If the records of Time Certificates of Deposit and Savings Bonds are processed by computer, a trial balance will be produced in connection with the running of the monthly Bond ledger. The Savings Bond personnel of each National bank city, affiliate, or associate correspondent should recap the totals of bonds outstanding for all branches as shown on the monthly ledger summary sheets and balance these totals to the general ledger controls. They should also balance each day's debits and credits to the totals of bonds redeemed and bonds issued on each daily journal and proofread the entries thereon in order that the records will be accurate when the monthly bond ledger is run. It is the Auditor's responsibility to determine by observation that the prescribed daily procedures are being followed by Savings Bond Department personnel and that a trial balance is being run at least monthly and the totals balanced to the general ledger.

2. ARE TIME CERTIFICATES OF DEPOSIT AND SAVINGS BONDS PROVED AND RECONCILED SEMI-ANNUALLY BY THE AUDITOR? L

NON-COMPUTER SYSTEMS

The Local Auditor should list and balance to the general ledger controls all Time Certificates of Deposit and Savings Bonds twice each year.

COMPUTER PROCESSED ACCOUNTS

If savings bond records are computer processed, the Local Auditor should, at least twice annually, recap the computer produced totals of bonds outstanding for all branches and balance his recap to the general ledger control accounts.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

TIME CERTIFICATES, SAVINGS BONDS AND CERTIFICATES OF DEPOSIT - Continued

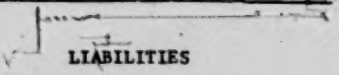
EITHER SYSTEM

In connection with the balancing and reconciliation of these accounts, all certificate and bond numbers must be accounted for. In conjunction with this procedure, the Local Auditor should verify the purchase prices paid on growth type savings bond holdings of five percent of the customers per year. The verification of total growth bond holdings will be by branch, so the fact that the customer may have other bond holdings should be pointed out. It will not be necessary to verify the purchase price paid for bonds if we remit interest checks to the customer, since insufficient amounts of interest payments would draw customer complaints. Bonds on which maturity notices are returned by the post office, and correct addresses cannot be located, should be considered dormant deposits. Bonds on which verifications are returned by the post office, and correct addresses cannot be determined, should be considered dormant deposits.

3. ARE NO SAVINGS BONDS REDEEMED PRIOR TO MATURITY? L

Regulation "Q" prohibits the redemption of savings bonds prior to the quarterly anniversary or the maturity date except in an emergency where it is necessary to prevent great hardship to the depositor. Premature redemption under the "Hardship Rule" of outstanding bonds, whether or not they contain the redemption restriction which we printed in some of our bonds, will be permitted only when the depositor has signed an application describing fully the circumstances constituting the emergency which is deemed to justify payment of the deposit before maturity. This application must be signed by the officer of the bank who accepts the statement in good faith. Such statements cannot be accepted by individuals who are not officers of the bank. In addition, the customer must be penalized three full months' interest, except on ninety-day multiple maturities where interest from lost quarterly anniversary date is forfeited. During the course of the audit of the bank's savings bonds, the Local Auditor should determine compliance with the Regulation.

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LIABILITIES DEPOSITS

TIME CERTIFICATES, SAVINGS BONDS AND CERTIFICATES OF DEPOSIT - Continued

4. IS THE SIGNATURE CARD FILE CURRENT?

During the times the Local Auditor visits the branch offices or savings departments, he should review the procedure in connection with the filing of signature cards to make sure that the file is kept current. Signature cards on closed accounts should be removed from the file currently and new cards should be filed daily. Also, in checking withdrawals, he should make an exception of any account which is not supported by a signature card.

5. ARE MATURED TIME DEPOSITS HANDLED PROPERLY?

Regulation "Q" states that, after the maturity of any time deposit, the deposit is a demand deposit, and no interest may be paid for any period subsequent to the maturity date. The Local Auditor should determine that the procedures outlined in the GOG pertaining to the handling of matured time deposits are being followed.

6. ARE SAVINGS BONDS VERIFIED?

Quarterly, the Auditor--EDP will run the Savings Bond Verification program, printing verifications (generally negative, although the positive type can be printed if needed) of all savings bonds held by a percentage of the customers of each office. A list of the bonds verified will be sent to the Local Auditors, in case questions arise. The verifications will be mailed from Atlanta, but will show the return address of the appropriate Local Auditor.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES **DEPOSITS**

CHRISTMAS CLUBS

1. ARE CHRISTMAS CLUB ACCOUNTS PROVED AT PROPER INTERVALS BY THE DEPARTMENT? L

MANUAL

Christmas Club accounts should be balanced at regular intervals by the department. Usually, this is on a weekly basis. The Local Auditor should observe that the balancing operation is carried out properly, and quarterly, he should recap their last balancing tapes to be sure that they are in agreement with the general ledger. Semi-annually, the Local Auditor should make a listing of these accounts himself.

AUTOMATED

The computer control totals should be reconciled to the general ledger on a daily basis. Quarterly, the Local Auditor should determine that the department has been balancing back daily and at this time he should reconcile the computer totals to general ledger. Any exceptions on the reconcilement should be traced to determine if they are proper.

2. ARE ONLY CHRISTMAS CLUB ACCOUNTS INCLUDED UNDER "SPECIAL TIME DEPOSITS"? L

BOTH SYSTEMS

This account was set particularly for Christmas Club accounts and should be used as such. The Local Auditor, in running trial balances or reviewing the general ledger, should ascertain that such an account has been established and is being used only for this purpose.

3. ARE PAID CHRISTMAS CLUB COUPONS PROPERLY HOUSED? L

MANUAL SYSTEM ONLY

Each time the Local Auditor is in a branch office, he should ascertain that paid Christmas Club coupons are turned over daily, after balancing, to a person who is not connected with the Savings Department so that they may be controlled under lock and key. In the office where the Local Auditor is located, the coupons should be turned over to him daily. This is an important safeguard, and the Auditor should not consider a loosely controlled operation satisfactory.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

CHRISTMAS CLUBS (Continued)

4. IS THE SIGNATURE CARD PROPERLY COMPLETED? L

In order to establish complete computer records for each Christmas Club account, care must be exercised in opening the account to get the complete customer name, address, branch name and number. The Local Auditor should spot check the signature cards to determine that they are being completed by the branch personnel.

5. ARE PREMATURELY CLOSED ACCOUNTS HANDLED SATISFACTORILY? L

When an account closes prematurely, the customer should sign a regular savings withdrawal slip to indicate withdrawal. A $1.00 service charge should be collected at this time and credited to Other Income. On accounts that are closed prematurely, holds should be placed on the computer to prevent duplicate withdrawals.

6. ARE THE ACCOUNTS VERIFIED BY THE LOCAL AUDITOR DIRECT WITH THE CUSTOMER? L

The Local Auditor should verify on a quarterly basis sufficient accounts to equal ten percent of all accounts.

7. ARE NON-POSTED ITEMS HANDLED PROPERLY? L

The Local Auditor should determine through his balancing procedure that all rejected deposit and withdrawal items are re-entered promptly and posted to the proper account.

8. ARE RETURNED CHRISTMAS CLUB CHECKS PROPERLY CONTROLLED? L

Christmas Club checks should be mailed in envelopes with the return post office box of the Local Auditor. When received by the Local Auditor, adequate records should be maintained to insure that the checks are mailed to the customer after correct addresses are obtained or If correct addresses cannot be obtained, the Local Auditor should be so notified, and the checks filed under dual control. During his next quarterly audit, the Local Auditor should account for all undelivered checks placed in dual control since his last audit. Annually, all undelivered checks should be accounted for at one time. If a check is removed from dual control, the customer's name and correct address should be obtained and forwarded to the Local Auditor, so he can verify the transaction.

U. S. TREASURY ACCOUNTS

1. IS THE TREASURY TAX AND LOAN ACCOUNT VERIFIED MONTHLY BY THE LOCAL AUDITOR?

2. ARE EXCEPTIONS ON THE ABOVE VERIFICATION TRACED?

At the present time, the Federal Reserve Bank renders one statement each month to the Atlanta Local Auditor covering all of our National Bank offices. Each of the National Bank offices outside Atlanta should forward to the Atlanta Local Auditor a copy of their Treasury Tax and Loan Account as of the predetermined date. The Atlanta Local Auditor should reconcile the account and trace all exceptions in the reconcilement. In the affiliate banks, the Local Auditor should reconcile the statement, or, if he is not available at the time it is received at the affiliate, he should check their reconcilement, and at the same time determine that the account is reconciled by an individual not involved in making entries to the account.

3. ARE WITHHELD TAXES VERIFIED CURRENTLY?

Preferably on a monthly basis, the Local Auditor will select one day's remittances of withheld taxes taken by each office or branch and trace all individual deposits back to each depositor's checking account if on us. If payment is made by a check on another bank, this item will be traced to the extent of identifying the bank to which the item was forwarded to payment. Any cash payments of withheld taxes will be verified on a positive basis with the customer.

Where records are not conveniently available for monthly review, the above may be performed on a quarterly basis by selecting three days' payments taken at each office or branch during the current fiscal quarterly audit period.

There must be available an auditor's copy of each receipt for withholding taxes and the related remittance letter to the Federal Reserve Bank. Failure to have receipts available for all items listed in the remittance letter will be an audit exception. Information, including date, amount and employer's identification number, must be properly transcribed to the remittance letter and any differences explained. Likewise, any delay between preparation of the remittance letter and the related credit to the TT&L Account must be explained.

Tracing of individual tax payments, if drawn on us, will consist of a physical inspection of the paid check, if still in the Bookkeeping Department check files, or a review of statement film. The amount and payment date must agree with information appearing on the auditor's copy of the withheld tax receipt. Should the payment not be located in file or on film, it must be located on Proof Department tapes and traced to the conclusion.

4. IS THE SERIES "E" BOND SUSPENSE ACCOUNT HANDLED PROPERLY?

All proceeds from the sale of Series "E" Bonds should be credited to the Series "E" Bond Suspense account on the general ledger, and then transferred to the Treasury Tax and Loan account at proper intervals. The Local Auditor should ascertain that the account is being handled properly at the time he verifies bond holdings plus interim observations during the times he reviews the various general ledger accounts.

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LIABILITIES DEPOSITS

U.S. TREASURY ACCOUNTS - Continued

5. IS PROPER CONTROL MAINTAINED OVER SERIES "E" BONDS SO THAT DEFINITE RESPONSIBILITY CAN BE PLACED AT ALL TIMES? L

Unissued Series "E" Bonds should be under control of one individual and inaccessible to other personnel. When the individual is relieved for lunch periods and breaks, the individual responsible must issue an operating supply of bonds to the relieving person, and upon his return, account for the bonds or sales tickets in this supply. The Local Auditor should determine the adequacy of the control each time he audits the office or department.

6. ARE SERIES "E" BOND HOLDINGS VERIFIED SEMI-ANNUALLY? L

Semi-annually the Local Auditor should verify with the Federal Reserve Bank the Series "E" Bonds being held by the bank for sale. After he inventories the bonds on hand he should compare these against the last report submitted to the Federal Reserve Bank, verifying the amount debited against the suspense account and credited to the Treasury Tax and Loan Account. At the same time he should verify direct with the Federal Reserve Bank the correctness of the last bond report. At intervals the Federal Reserve Bank themselves will verify with each office their series "E" bond holdings. The Local Auditor should handle this confirmation and he may count it as one of his audits.

OTHER BANKS

1. ARE "DUE TO BANK" ACCOUNTS VERIFIED MONTHLY THROUGH RECONCILEMENT? L

This will also include "Due to C & S Bank" accounts. The Local Auditor should send verification reconcilement requests to all banks at a minimum of once each month and trace all outstanding items as reported by the depositing banks. Before sending out these reconcilement forms the accounts should be listed and balanced to the General Ledger. The banks who consistently fail to return reconcilements properly completed and signed by an authorized official should be tactfully contacted by the Local Auditor in an effort to obtain reconcilements regularly. The Local Auditor should also observe the bank ledger bookkeepers balancing frequency to determine that the ledger is kept currently in balance with the General Ledger.

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE. THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

OTHER BANKS - Continued

2. ARE SIGNATURE FILES CURRENT? L

At intervals throughout each year the Local Auditor should observe the condition of the signature files for bank accounts to ascertain that they are kept current. He should specifically spot check the paid checks to be sure that they are signed by authorized personnel.

3. ARE ALL OVERDRAFTS APPROVED BY AN OFFICER? L

Monthly when the Local Auditor balances this ledger against the General Ledger figures, he should observe each account to see whether or not any overdrafts have occurred during the month. All overdrafts so noted should be reviewed with an officer of the bank to be sure that they are properly approved.

4. ARE LEDGERS ADEQUATELY HOUSED? L

The Local Auditor should inspect the facilities for housing the ledgers. The ledgers must be housed in fireproof containers which are kept locked each night. The Local Auditor should make a point of the fact that he should be notified of any proposed changes in the housing facilities so that he can review it immediately.

5. IS THE STOP PAYMENT FILE CURRENT? L

The Local Auditor, when balancing the bank ledger, should review the stop payment file to see that it is in current condition. He should also determine whether or not the method used to detect checks on which stop payment orders have been issued is adequate.

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AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES

OTHER LIABILITIES - BILLS PAYABLE

1. ARE BILLS PAYABLE THOROUGHLY ANALYZED MONTHLY, AND ARE ALL TRANSACTIONS SATISFACTORY? L

   This question is applicable to the Local Auditor of the Atlanta Office and to the Local Auditors of the Affiliate Offices. Once each month the Local Auditor should review the bills payable account and verify all entries since the last review. Contra entries should be checked to be sure that they are made to the proper accounts and in the proper amounts. To complete the audit, the Local Auditor should verify interest paid against the borrowings.

REDISCOUNTS

1. ARE ITEMS VERIFIED CURRENTLY? L

   On a quarterly frequency, the Local Auditor should review the appropriate General Ledger account to determine if any rediscounted paper is on the books. If so, he should verify the rediscounts to ascertain that all are legitimate.

RESERVE FOR DIVIDENDS

1. HAS THE BOARD OF DIRECTORS APPROVED THE RESERVE ALLOCATED FOR PAYMENT OF DIVIDENDS, AND IS THE AMOUNT OF RESERVE FOR DIVIDENDS CORRECT? L

   The reserve allocated for payment of dividends should be approved by the Board, and the amount shown on the Statement of Condition should correspond with the amount approved by the Board. The Local Auditor should verify the Board's approval and the correctness of the amount by checking the Minutes of the Board of Directors meeting.

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LIABILITIES

OTHER LIABILITIES

1. ARE OVERAGES AUDITED IN THE SAME MANNER AS SHORTAGES? L

   The questions pertaining to shortages which are outlined under "Other Assets" are applicable to overages. The only difference is that an overage represents an excess of funds and is a liability of the bank. The Local Auditor should audit overages by applying the same procedures as outlined for shortages.

2. ARE ESCROW ACCOUNTS FOR TAXES AND INSURANCE VERIFIED AT THE TIME LOANS ARE VERIFIED? L

   Where escrow accounts are maintained in connection with the loans, the Local Auditor should include the balance of the escrow account when he verifies the loans with the borrowers. If there are any such insurance or tax reserves which are being held by the bank, they should be individually verified with the borrowers.

3. ARE SUSPENSE ACCOUNT RECONCILEMENTS REVIEWED BY THE LOCAL AUDITOR? L

   The Local Auditor should keep informed of all suspense accounts and review the reconcilements of the outstanding items to general ledger at least quarterly.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES

CAPITAL STRUCTURE

CAPITAL

1. DOES THE REGISTER OF OUTSTANDING SHARES AGREE WITH THE GENERAL LEDGER, AND ARE SURRENDERED SHARES VERIFIED CURRENTLY BY AUDITORS? L

Annually, the Local Auditor should balance the records of the bank against the general ledger to be sure that these records are in agreement as to the number of shares of stock outstanding.

BANK STOCK EXCEPT C&S NATIONAL BANK

When performing the above operation, the Local Auditor should check all cancelled certificates since the previous audit to see that the surrendered shares are properly cancelled, properly assigned, and that the signatures are guaranteed properly. There should also be a signed receipt to evidence delivery of the new certificates to stockholders or their agents.

C&S NATIONAL BANK STOCK

When performing the balancing function, the Local Auditor should spot check a minimum of 15% of certificates cancelled since the previous audit to see that the surrendered shares are properly cancelled, properly assigned, and that the signatures are guaranteed properly.

SURPLUS

1. ARE ALL ENTRIES APPROVED BY THE BOARD OF DIRECTORS? T

The Traveling Auditors should prepare a schedule of the Surplus account and review the minutes of the Board of Directors' meetings to see that all entries to this account are proper and have been approved by the Board.

UNDIVIDED PROFITS

1. ARE PROPER ANNUAL CREDITS MADE? T

All entries to this account should be inspected and analyzed thoroughly by the Traveling Auditors. In preparing the schedule of this account in connection with the annual audit, they should be sure that all entries have been approved by the Board of Directors, and that only one annual credit is being made rather than a monthly or quarterly credit.

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LIABILITIES CAPITAL STRUCTURE

GENERAL CONTINGENCY RESERVE

1. HAVE ALL CHANGES IN THIS ACCOUNT BEEN VERIFIED? L

The Local Auditor should review this account semi-annually for the purpose of verifying any changes that have taken place since his last review.

RESERVE FOR BOND ACCOUNT

1. HAS THE PROPER PERCENTAGE OF REALIZED GAINS OR LOSSES BEEN ENTERED TO THIS ACCOUNT? L

Quarterly the Local Auditor should review transactions in the bank's security investment portfolio to determine that the proper percentages of gains or losses from the sale of securities have been entered. He should keep in mind the fact that percentages will vary depending upon whether the gain or loss is on a long or short term basis.

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INCOME — OPERATING INCOME

INTEREST FROM LOANS
INTEREST - DEMAND LOANS
INTEREST - TIME LOANS

3-A. ARE INTEREST RATES ON LOANS BEING USED IN ACCORDANCE WITH PRE-ESTABLISHED RATE SCHEDULES? L

On a test check basis, the Local Auditor should determine whether or not his offices are charging the proper rate on the various types of commercial loans as called for in the schedule of interest rates for his particular office. Unsecured loans bearing interest at the rate of 4½% or 5% should generally be supported by a "Customer Request for Automatic Bond Redemption" or savings withdrawal slip form filed with negotiable collateral. Savings and savings bond records should be flagged "HOLD BALANCE". The savings withdrawal slip should be dated with the maturity date of the loan. If a withdrawal slip bears any date other than the loan maturity date, it should be reported as an audit exception. Generally speaking, deviations from the pre-established rate schedule should be almost nil. All exceptions should be reported to the Executive Vice President or President, and, in addition, if there is a too high percentage of exceptions, the matter should be referred to the head of your office, and a copy of the exception report forwarded to the General Auditor. It then is the responsibility of the office to check all their loans for rate exceptions. This observation should be incorporated with other phases of continuous audits on loans. Specifically, it should be done at times of direct verification, checking collateral and listing notes.

3-B. ARE INTEREST RATES ON LOANS SECURED BY BANK'S OWN SAVINGS BONDS OR TIME CERTIFICATES OF DEPOSIT IN ACCORDANCE WITH REGULATION "Q"? L

As required under Regulation "Q", the rate of interest on a loan secured by a bank's own time certificate of deposit must be not less than 2% per annum in excess of the rate of interest paid by the bank on the time deposit. During the course of his checking collateral on loans, the Local Auditor should determine that the rate charged is a minimum of 2% above the rate paid on savings bonds and time certificates of deposit. There must be no violation of this Regulation.

E- 942

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INCOME OPERATING INCOME

INTEREST FROM LOANS
INTEREST - DEMAND LOANS
INTEREST - TIME LOANS -
Continued

4. ARE EARNINGS BEING ACCRUED PROPERLY? L

In the National Bank, the Accrual Department performs this function. In the affiliates, interest generally is not accrued. However, interest should be accrued on large loans which run for a long period of time where a cash entry would materially affect the earnings of a certain period in one direction and the earnings of another period in a reverse manner. The Local Auditor should keep this in mind each time he audits the loans, and any such loans found should be brought to the attention of management, if the interest is not being accrued.

5. HAS ALL TAX FREE INTEREST BEEN CREDITED TO THE PROPER ACCOUNT? L

All loans made to state, county or municipal subdivision, including school districts, should be plainly marked in order that interest from this source will be credited to the Tax Free Account. The Traveling Auditors should ascertain that the correct procedure is being followed by a review of the credit files and notes over $3,000.

INTEREST FROM SECURITIES AND AMORTIZATION OF PREMIUM

1. ARE ALL ENTRIES VERIFIED? L

In the National Bank, the Accrual Department verifies all entries to these accounts. In the affiliate banks, it will be necessary to verify all entries to these accounts to be certain that all required entries have been made. On a quarterly frequency, the Local Auditor should verify all entries since his last audit in this connection.

E- 943

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INTEREST FROM SECURITIES AND AMORTIZATION OF PREMIUM (Continued)

2. ARE EARNINGS ACCRUED PROPERLY? L

In the affiliate banks, the Local Auditors, on a quarterly frequency, should verify the accrual of all earnings to ascertain that they are being reflected properly in the Earnings accounts.

3. ARE CHARGES ACCRUED PROPERLY? L

In the affiliate banks, the Local Auditor should verify that all charges have been accrued properly and are on a proper accrual basis during his quarterly audits.

SALES OF BANK SERVICES

RENT - SAFE DEPOSIT DEPARTMENT

1. ARE RENTAL FEES PROPERLY CREDITED? L

The Local Auditor should verify the correctness of entries to be certain that income on rented boxes has been collected and credited to Earnings.

The Local Auditor should determine the number of rented boxes. In order to do this, it is necessary to physically check the number of keys to unrented boxes to arrive at this figure. A test check should be made of any unrented boxes to verify that they are vacant. The Local Auditor should reconcile income received according to the rent cards on rented boxes against the income received as shown by the bank's records on an annual basis. Procedures for accounting for rented and unrented boxes will require the use of a numerical check sheet. Rebates of rent on surrendered boxes should be shown on the rent record, which should be attached to the old contract card.

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INCOME — OPERATING INCOME

SALES OF BANK SERVICES

RENT - SAFE DEPOSIT DEPARTMENT (Continued)

2. ARE SAFE DEPOSIT RENTAL RECORDS ADEQUATE?

It is important that safe deposit records be adequate as well as current. All new signature contract cards should be filed daily. Rental payments should be posted to the payment record cards as they are received and the respective Income account credited daily for payments received that day.

Visits by customers into their safe deposit boxes should be recorded at the time the box number and signature are checked. Visit or access tickets should be retained by the department at least seven years. Closed out signature cards must be retained for a period of at least seven years. Those offices that have converted to or are now using the "unnumbered key" system should maintain an alphabetical file of safe deposit customers.

3. IS PAST DUE BOX RENT BEING FOLLOWED?

The Local Auditor should determine that the proper collection efforts are being made in this connection. In addition, when he prepares a list of the past due boxes on an annual basis, he should have rent notices prepared and mail these to the box renters himself with a request to notify the Auditor if the rent has been previously paid according to the customers' records. Past due rent cards should be separated from current rent cards.

4. ARE STORAGE RENTAL RECORDS ADEQUATE?

Storage rental payments should be posted to the rental record cards as they are received, and "Rent--Safe Deposit Department" credited the day received.

Customers should be billed annually in accordance with the rate shown on the contract.

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Rev. 3/72, #4 New

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INCOME OPERATING INCOME

INCOME - SERVICE CHARGES ON INDIVIDUAL ACCOUNTS

1. ARE SERVICE CHARGES OR ANALYSIS CHARGES BEING MADE ON ALL ACCOUNTS SUBJECT TO CHARGE? L

For the banks whose Demand Deposits are on the Computer Operation, the Local Auditor, once a year using his own program, should print out the accounts on which service charges are not being assessed. He should review this list to determine that all waivers are those authorized by the bank, and if necessary, discuss the list with the Executive Vice President. The Local Auditors outside of the Atlanta Area whose deposits are processed on the computer may request the Atlanta Local Auditor to forward him a list of these accounts affecting their respective offices for audit purposes. For the banks not on the computer operation the Local Auditor can accomplish this by obtaining the previous month's stubs and reviewing them to see that all of the accounts which should be charged have actually had service charges applied. All exceptions should be reviewed with the responsible officer and a record of the exceptions made. If the exceptions appear to be abnormal, this fact should be brought to the attention of the Comptroller.

2. ARE PROPER CHARGES BEING MADE ON ITEMS RETURNED FOR INSUFFICIENT FUNDS, AND FOR OVERDRAWING ACCOUNTS? L

The Local Auditor can best determine whether or not insufficient check charges are being assessed at the time he intercepts and audits return items. Each time he is involved in auditing checking account statements, the Local Auditor should incorporate in this audit a review of the accounts having overdrafts to determine that proper charges for overdrawing the accounts have been assessed. These audits will reveal failures to charge, and excessive waivers of the charges, for which the Local Auditor should investigate the reason.

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INCOME - SERVICE CHARGES ON INDIVIDUAL ACCOUNTS - Continued

3. ARE COMPUTATIONS CHECKED, AND ARE CHARGES CHECKED INTO THE EARNINGS ACCOUNT? L

On a quarterly frequency the Local Auditor should make a special review of the service charge income account on the General Ledger. He should analyze the service charge account to determine if the amounts collected are consistent from month to month. Any fluctuations which are out of reason should be investigated. For the accounts processed by the computer, the Local Auditor on a quarterly basis should check the accumulated total of service charge print-out by the computer and trace the totals covering one complete statement cycle to the General Ledger income account. For the banks whose accounts are not processed on the computer the Local Auditor should use statement stubs or posting journals where applicable to determine whether or not the total amount of service charges charged to the customer has been credited to the proper earnings account. Depending on the bookkeeping system employed the Local Auditor should determine on a spot check basis whether or not the equipment is computing service charges correctly or that an individual other than the one who makes the original charge is spot checking computations. A review of the debits against the service charge accounts representing refunds of insufficient check and overdraft charges should be made a part of the audit to determine that the volume, the reason for the refunds, and the offsetting credits are in order.

INCOME - EXCHANGE RECEIVED

1. ARE CASH COLLECTIONS BY TELLERS VERIFIED WITH PRESCRIBED FREQUENCY? L

The Local Auditor should intercept the work of the tellers to ascertain that all cash collections of exchange are being made properly so that each teller will be checked a minimum of twice annually, or more often where interim investigation warrants. Quarterly the Local Auditor should review one month's General Ledger credits to exchange. A spread sheet listing each teller's daily credit to the exchange account

E- 947

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INCOME - EXCHANGE RECEIVED - Continued

covering a period of two weeks would serve as a guide in judging whether or not any particular teller should be checked more frequently. Another guide for the Local Auditor in determining the extent exchange collections should be checked is a quarterly analysis of the Exchange Received and the Exchange Paid account. A net loss would indicate that the tellers might not be collecting or crediting the exchange properly. In making an overall analysis of the exchange accounts, the Local Auditor should determine that the deferred exchange accounts are being handled properly and whether or not other departments of the bank are absorbing exchange.

2. ARE ONLY EXCHANGE COLLECTIONS ENTERED TO THIS ACCOUNT? L

The Local Auditor should be responsible for determining that only exchange collections are credited to this account and that miscellaneous entries are not also credited. The simple review of the General Ledger Credits would reveal any exceptions. Charges other than exchange charges normally should be credited to "Other Income". If other credits are permitted to be posted to this account, the net gain or loss in non-par exchange will not be reflected correctly.

3. IS EXCHANGE CREDITED DAILY REGARDLESS OF AMOUNT - NEVER ALLOWED TO ACCUMULATE? L

It is very important that all funds received be processed on date of receipt, and this rule should be strictly enforced. At the time tellers cash is verified by the Local Auditor he should look for exchange that has been held over. The exceptions noted should be brought to the attention of management in order that immediate corrective action may be taken.

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INCOME

EXPENSE - EXCHANGE PAID

1. ARE ALL CHARGES VERIFIED? L

Semi-annually the Local Auditor should obtain a total of the non-par cash letters and relate to that the amount of non-par exchange remitted and charged to the exchange paid account to determine that the amount of exchange paid is correct. In the offices where some of the cash letters go direct to the non-par correspondent from which the correspondent deducts exchange when remitting for the cash letter, the Local Auditors should audit these on a spot check basis. Semi-annually he should select the cash letters covering a preceeding one week period and determine that the total amount of exchange deducted by these correspondents each day during the period agrees with the amount charged against the exchange paid account. He should also spot check the correspondent banks deduction calculations, and at the same time ascertain that operating personnel are verifying exchange deductions on a daily basis. The Local Auditor should keep in mind the fact that there should be no other type debits against this account in order that the account will always reflect the correct amount of exchange paid for analysis purposes.

NET INCOME FROM REAL ESTATE

RENT - BANK BUILDING AND OTHER REAL ESTATE

1. ARE LEASES VERIFIED WITH TENANTS AND IS THE INCOME VERIFIED? L

Annually the Local Auditor should verify leases with all tenants both as to rent and terms. Concurrent with the verification of leases the Local Auditor should trace the total of rents collected to the General Ledger.

E- 949

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INCOME

BUILDING EXPENSE

1. ARE ALL CHARGES PROPER? L

Quarterly, or at the time he audits the regular expense bills, the Local Auditor should review all charges to this account to determine whether or not they are proper. In reviewing this account he should inspect all vouchers to assure himself that they properly support all entries made.

E- 950

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OTHER OPERATING INCOME

INCOME - BOND DEPARTMENT

1. ARE ENTRIES SUPPORTED BY INVOICES? L

   Quarterly the Local Auditor should spot check invoices against purchase and sale entries to verify their accuracy.

2. ARE ALL ENTRIES VERIFIED? L

   Quarterly, the Local Auditor should verify all entries to this account to ascertain that they are proper. All contra entries must also be verified.

3. ARE ONLY FEES AND COMMISSIONS AND THE PROFITS OR LOSSES ON SALES OF SECURITIES INCLUDED? L

   The Local Auditor, in verifying the entries to this account should be sure that the only entries reflected in this account are fees, commissions, and profits or losses on sales of securities held in the Trading Account.

INCOME - SERVICE CHARGES ON LOANS

1. ARE ALL CHARGES BEING CREDITED PROPERLY? L

   The Local Auditor can best determine this through observation and by questioning personnel of the Loan & Discount Operations. In addition to this, he should look for evidence of loan fees which should have been collected by the bank and spot check these fees into the General Ledger, making sure that they are credited to the proper account. This should be made a part of his regular audit routine in connection with his regular review of the department's loan files.

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INCOME — OPERATING INCOME

INCOME - SERVICE CHARGES ON INSTALLMENT LOANS

See Installment Loan Audit

MISCELLANEOUS INCOME

1. ARE EARNINGS FROM CASHING OF "E" BONDS CREDITED TO THE PROPER ACCOUNT, AND ARE COMPUTATIONS ACCURATE? L

The Federal Reserve Bank reimburses each office for services rendered in connection with cashing of Series "E" Bonds on a quarterly basis, March, June, September, and December. Reimbursement is based on the number of bonds cashed. The Local Auditor should maintain a follow-up record accounting for this income each quarter. He also should check copies of the bond letters for each period in determining that the correct amount of money is received. If the amount of fee does not tie in with the bank's record of bonds cashed, the Local Auditor should verify the transaction with the Federal Reserve Bank.

2. IS OTHER MISCELLANEOUS EARNINGS OR INCOME PROPERLY ACCOUNTED FOR? L

This Income Account is more or less a catch all for unclassified income, into which income is credited from various sources. Some of this income is credited daily while other of it is credited monthly, quarterly, semi-annually or annually. The Local Auditor should determine the sources of miscellaneous income and maintain card records to be used as a reminder or follow-up system in accounting for it. The income that is received and credited on a daily basis should be spot checked into the General Ledger on a once a month frequency to the extent that the Auditor is satisfied that all of it is being credited. The income scheduled to be received at other intervals should be specifically accounted for. During his continuous observance of the activity in this account, the Local Auditor should also make sure that there is no income credited therein which should have been credited to classified accounts.

E- 952

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EXPENSES — OPERATING EXPENSE

INTEREST PAID TO SAVINGS DEPOSITORS

INTEREST - SAVINGS DEPOSITS

1. ARE COMPUTATIONS VERIFIED? L

For the savings accounts which are processed on the automation equipment the interest is computed automatically by the computer. Under this system the Local Auditor should review the program used to determine the basis of computation and that the interest is computed as of the date of last transactions in the interest period rather than a day or two before the end of the period. The Local Auditor should also check the total interest figure from the computer to determine that it is in agreement with the amount charged to interest expense and the amount credited to savings deposits. In the banks whose savings deposits are not processed on the computer, the Local Auditor should assure himself of the fact that all computations of interest are being verified by some individual other than the one who computed the interest. He should also spot check calculations and trace the totals as indicated above. Under both systems the Local Auditor should compare current period interest with the previous period, relating total interest paid to total deposits.

2. IS INTEREST ACCRUED IN LINE WITH INTEREST PAID? L

On a semi-annual frequency the Local Auditor should review the interest paid and interest accrued figures to determine whether or not the proper amount of interest is being accrued in relation to the amount being paid.

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EXPENSES — OPERATING EXPENSE

INTEREST PAID TO SAVINGS DEPOSITORS
INTEREST - SAVINGS BONDS

1. ARE DEBITS TO INTEREST EXPENSE ON SAVINGS BONDS PROPER? L

COMPUTER SYSTEM

Monthly, the Local Auditor should determine that the "year-to-date interest paid" totals shown on the Monthly Ledger Summary Sheet are balanced by Operations to the general ledger control accounts. In other than a unit bank, it will be necessary to recap these totals for all branches in order to balance to the general ledger.

MANUAL SYSTEM

Correctness of debits to Interest Expense must be verified from debits against the general ledger, and not from entries to the bond controls. Each month, the Local Auditor should review all debits against the Interest Expense account on the general ledger to be certain they are correct and proper. Where interest is paid periodically by check, the Auditor should calculate interest from the bond controls to determine that the debit against Interest Expense used to purchase interest checks is the correct amount.

EITHER SYSTEM

About 10% of the debits to Interest Expense, other than the regular monthly entries, should be verified on a test basis against redeemed bonds to ascertain that there actually was a redeemed bond in each case and that interest paid was correct.

2. ARE PAYMENTS OF BOND INTEREST CORRECT, AND ARE THERE NO MATERIAL OVERPAYMENTS OF INTEREST? L

Monthly, the Local Auditor should review the Savings Bond Exception Report for differences of $5.00 or more in the payment of bond interest. Any which are not accrual differences, and actually are payment errors, should be handled as audit exceptions. Underpayments of $5.00 or more should be remitted to the customer. As the Local Auditor reviews replies to exception reports, he should make a notation on the exception report of the total amount of interest overpayments not recovered from customers. This total of "Unrecovered Interest Overpayments to Date" should be shown on the next exception report, so that the actual amount of loss to the bank will be accumulated and carried forward until it is reported in the annual audit. The Local Auditor should keep in mind that the accrual exception differences on the report may not represent true overpayment or underpayment of interest, and could be legitimate adjustments with no corrections needed.

3. HAS THE SUSPENSE BALANCE AS DETERMINED BY THE COMPUTER BEEN COMPARED TO THE GENERAL LEDGER SUSPENSE OR THE ACCRUAL DEPARTMENT SUSPENSE? L

All Banks on the Accrual System. The Accrual Department in Atlanta will check their records on Suspense against the Suspense balance determined by the computer, and the Atlanta Local Auditor will review this procedure with the Accrual Dept.

Cash Basis Banks. Local Auditors responsible for coverage of Associate Correspondent Banks not on the accrual system should determine that the general ledger reflects the correct accrued unpaid savings bond interest as of the end of the accounting period. Any material differences should be brought to the attention of the Accrual Department and the General Auditor.

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EXPENSES OPERATING EXPENSE

INTEREST - BORROWED MONEY

1. ARE ALL CHARGES VERIFIED AGAINST BORROWINGS? L

At the time the Local Auditor analyzes Bills Payable he should verify all charges against Interest - Borrowed Money to verify that they are reconcilable with the amount of money borrowed by the bank.

SALARIES

SALARIES - OFFICERS

SALARIES - EMPLOYEES

1. ARE ALL SALARIES APPROVED? L

Each payroll period the Payroll Department in Atlanta should receive a list of salary changes which should be officially signed. The Local Auditors outside the Atlanta Area should determine that the payroll prelist for their respective offices is officially signed. The Local Auditor of the Atlanta Area should periodically check with the Payroll Department in Atlanta to ascertain that all salary changes are being officially approved.

2. ARE ALL SALARIES CREDITED TO CHECKING ACCOUNTS? L

The Local Auditor should be aware of this requirement in making regular audits of checking accounts on the bank's individual ledgers. Any deviation should be reported to management and to the Comptroller.

3. ARE ALL SALARIES REVIEWED ANNUALLY? T

Annually the General Auditor should discuss this procedure with the personnel officer of the bank to determine the interval at which salaries are reviewed.

E- 955

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EXPENSES **OPERATING EXPENSE**

SALARIES
SALARIES - OFFICERS
SALARIES - EMPLOYEES (Continued)

4. IS WITHHELD SALARY BEING ACCRUED? L

In the National Bank, the Accrual Department accrues the withheld salary. In the Affiliates, withheld salary accrued should be checked semi-annually by the Local Auditor to be sure that this liability has been established, and that the semi-annual payments are charged to the Accrued Liability.

5. HAS THE LOCAL AUDITOR BALANCED COMPENSATION AND ACCOUNTED FOR ALL OFFICERS AND EMPLOYEES ON THE PAYROLL? L

The Local Auditor should account for all officers and employees on the payroll by distribu[illegible]g advices of compensation twice each year to officers and employees in the various offices for which he is responsible, or by using some other means which will accomplish the same desired result. Before the advices are distributed, the Auditor should balance total pay against salary expense to be sure that his coverage is complete. At the same time, the Local Auditor should test check officers' and employees' salaries as shown on the payroll records against files in the Personnel Department to be certain that salaries are correct. Memoranda concerning officers' salary increases will be sent to the appropriate Local Auditor during the month the salary increase is approved. In addition, the Local Auditor should spot check the computation of hours worked on employee time cards, and the computation of overtime. The distribution of advices of compensation of officers should be handled by the Local Auditor and not assigned to an employee.

OCCUPANCY - RENT

1. DOES THE AMOUNT OF RENT PAID AGREE WITH THE CURRENT LEASE? L

At least once each year, the Local Auditor should review rental payments on quarters which are leased by the bank to be certain that the amounts of the payments are in agreement with the terms of the current lease. If the lease expires in the immediate future, that fact should be brought to the attention of management, and the Auditor should again check rental payments as soon as is practical after the expiration date of the old lease.

DEPRECIATION

1. ARE AMOUNTS SHOWN AS DEPRECIATION EXPENSE PROPER? L

Quarterly, the Local Auditor should review the amounts charged to expense as Depreciation-Furniture & Fixtures and see that they equal the depreciation figures shown on the computer records and also the amount credited to the Depreciation Reserve account. This same procedure should be followed in checking Depreciation-Bank Building.

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EXPENSES — OPERATING EXPENSE

TAXES - OTHER THAN FEDERAL INCOME TAXES

TAXES OTHER THAN INCOME TAXES

1. ARE ALL CHARGES VERIFIED AND ARE THEY BEING ACCRUED PROPERLY? L

The Local Auditor should review this account quarterly and verify all charges against the account since his last review. He should ascertain that there are in the files supporting vouchers for all charges, and that each voucher has been approved by an officer of the bank. In the National Bank the Accrual Department maintains the accrual record which should be reviewed semi-annually by the Local Auditor. In the affiliates, the Local Auditor should observe whether or not accruals have been set up in sufficient amount to cover these taxes with the same frequency.

COST OF INSURING DEPOSITS

FEDERAL DEPOSIT INSURANCE

1. IS PROPER DEPOSIT LIABILITY BASE USED? L
2. ARE COMPUTATIONS VERIFIED? L
3. ARE CHARGES ACCRUED PROPERLY? L

The Local Auditor should be aware of the proper base for deposit liability and should investigate to be sure that it is being used when reports are made. He also should verify computation and at the same time determine whether or not these charges are being accrued properly by reviewing the records of the Accrual Department in the case of the National Bank and the bank's records in the case of the Affiliate Banks.

E- 957

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EXPENSES **OPERATING EXPENSE**

CONTRIBUTION TO PENSION FUND

PENSION EXPENSE

1. IS EXPENSE BEING ACCRUED PROPERLY, AND IS IT VERIFIED? L

In the National Bank the Accrual Department will accrue this expense and their records should be reviewed by the Local Auditor in Atlanta semi-annually. In the Affiliate Banks, the Local Auditor should review the records of the bank to determine whether or not they are accruing this expense properly. Annually, the Atlanta Auditor will send each Local Auditor a list of officers and employees in his area who are receiving pension checks, and the Local Auditor should verify by personal contact that the intended payee is actually receiving the funds. The Atlanta Auditor will verify the correctness of the check amounts with the trustees of the pension fund.

DIRECTORS FEES

1. ARE ALL CHARGES PROPERLY APPROVED, AND DO EXPENSES RECONCILE WITH THE MEMBERS PRESENT ACCORDING TO THE MINUTES? L

During his audit of the bank's expenses, the Local Auditor should ascertain that debits against Directors Fees expense have been approved by an authorized individual. The Local Auditor should reconcile the fees paid to Directors against the Minutes of the Directors meetings to see that the charges shown on the bank's records are proper.

INSURANCE

1. IS ADVANTAGE OF LONG TERM INSURANCE BEING TAKEN WHERE PRACTICAL AND ARE EXPENSES PROPERLY ACCRUED? T

When the Traveling Auditors prepare a schedule of insurance protection at the time of their annual audit, they should determine whether or not the bank is taking advantage of reduced premiums where long term insur-

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INSURANCE - Continued

ance is available. An annual discussion with the individual responsible for handling the bank's insurance should reveal this. Long term insurance expense is being accrued by the Accrual Department for the National Bank, and the Traveling Auditors should review this matter with them. In the Affiliates, this should be determined by the Traveling Auditors when they prepare various schedules for their audit report.

POSTAGE

1. ARE ALL CHARGES PAID TO THE POST OFFICE DEPARTMENT? L

2. IF NOT, ARE ALL OTHER CHARGES REASONABLE? L

Normally the biggest portion of postage expense should be paid directly to the Post Office Department. At the time the Local Auditor audits the bank's expense bills he should see that the offsetting credit entries to charges against the postage account represent checks payable to and endorsed by the Post Office Department. There usually will be some miscellaneous charges to this expense account such as petty stamp money which will be proper. However, these should be watched by the Local Auditor because they should not be allowed to run into any large amounts.

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EXPENSES OPERATING EXPENSE

BANK TRAVEL AND BUSINESS DEVELOPMENT

1. IS THIS ACCOUNT BEING ANALYZED ACCORDING TO INDIVIDUALS INCURRING EXPENSES? L

2. ARE ALL EXPENSE VOUCHERS COMPLETED PROPERLY? L

3. ARE EXPENSES INCURRED BY ALL INDIVIDUALS IN LINE WITH EACH OTHER? L

4. ARE ALL CHARGES OFFICIALLY APPROVED? L

5. IS INFORMATION REQUIRED BY THE INTERNAL REVENUE SERVICE BEING OBTAINED? L

The Local Auditor should determine on a current basis whether or not an analysis of this account is being made, and whether or not the executive officer of the bank is kept informed of the individuals incurring expenses of this nature. An effective method of analyzing these expenses according to individuals incurring them is through maintaining subsidiary accounts in the General Ledger under the names of the individuals involved. This would provide the Local Auditor and other interested officers a ready means of comparing expense accounts of individuals of comparable rank and travel activity in determining whether or not they are in line with each other. In any event, the Local Auditor should be alert to recognize any expenses that would appear to be unreasonable, and discuss the matter with the head of the bank, or if deemed necessary, a report should be made to the Comptroller and the General Auditor. The Local Auditor should make sure that each and every expense voucher is properly completed and officially approved. In addition, the Local Auditor should be alert to detect any non-deductible entertainment expenses which do not meet the government regulations affecting travel and entertainment expenses. The regulations describe deductible entertainment expenses as being in one of two categories:

1. Directly related to active conduct of our business.

2. Associated with the active conduct of our business.

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EXPENSES OPERATING EXPENSE

BANK TRAVEL AND BUSINESS DEVELOPMENT - Continued

Also, the Revenue Act makes club dues non-deductible as a business expense unless the club is used more than 50% for business purposes, then only that portion of the club dues which is proportionate to the amount of time the club facilities are used for business will be deductible. The portion of club dues attributable to personal utilization will be treated as additional compensation to the individual concerned; therefore, in order to differentiate between the two, it is necessary to maintain club utilization work sheets on each individual concerned. The Local Auditor should familiarize himself with the instructions issued by the Comptroller's Department, and determine from time to time that these records are accurately kept.

6. ARE BANK OWNED AUTOMOBILES USED FOR BANK PURPOSES ONLY? L

The Local Auditor should ascertain from time to time that the bank owned automobiles are used only for bank purposes and are not used for personal use.

GENERAL EXPENSES

1. ARE ALL CHARGES MADE AGAINST APPROPRIATE ACCOUNTS? L

2. ARE ALL CHARGES SUPPORTED BY BILLS, INVOICES, OR MEMORANDA APPROVED BY AN OFFICIAL OF THE BANK? L

3. DO ALL CHARGES SEEM TO BE REASONABLE? L

4. HAVE ALL DISCOUNTS BEEN TAKEN? L

5. ARE EXPENSES INCURRED IN LINE WITH BUDGET FIGURES OF THE ACCRUAL DEPARTMENT? L

6. IS INVESTED CREDIT REQUESTED ON LEASED EQUIPMENT? L

Daily or monthly, whichever is applicable, the Local Auditor should review all of the expenses and charges to the bank's expense accounts. During this review, he should be careful to note that they are being charged against the proper account. All charges should be supported by invoices, bills or other memoranda, all of which should be approved by the Cashier or other officers of the bank. The Local Auditor should make an exception of any that are not properly supported or approved. In auditing these expenses, the Auditor should place his audit stamp on expense bills to prevent them from being used again to support a subsequent disbursement. The Local Auditor should satisfy himself that all charges appear to be proper and reasonable, and he should not hesitate to question any disbursements which are out of the ordinary. Where discounts are allowed, the Local Auditor should make certain that the bank is taking advantage of the discount in every case.

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GENERAL EXPENSES - Continued

Each month, the Local Auditor should review the Accrual Statement as a regular routine and discuss with the Cashier any expense items on which the cash expenditures appear to be out of relationship with the budget figures. While reviewing expenses, the Local Auditor should watch for charges for equipment recently leased. He should then determine whether the lessee of the equipment (the bank) requested that the investment credit be passed on to the bank. If so, the lessor of the equipment should have been requested to send the investment credit election statement directly to the Comptroller Department of the National Bank for (1) execution, or (2) transmittal to the appropriate bank Cashier with instructions for execution. The lessee should notify the Comptroller's Department that the election statement is forthcoming. If not, the Local Auditor should report it as an exception.

7. IS THE CHIEF EXECUTIVE OFFICER THE ONLY OFFICER ATTENDING MORE THAN ONE CONVENTION, SCHOOL, SEMINAR, WORKSHOP, ETC., OUTSIDE THE CITY EACH CALENDAR YEAR? L

The Local Auditor should keep a record for each individual incurring bank travel, business development, or education and training expense involving attendance at some type of meeting or school. In addition to the name of the individual, the record should show the type of meeting, date, and expenses incurred. At the end of each calendar year, the Local Auditor should report to the General Auditor and chief executive officer of the bank involved the names of the individuals attending two or more meetings, the dates, types of meetings, and expenses incurred during the calendar year.

OTHER REAL ESTATE EXPENSES

1. ARE ALL EXPENSES VERIFIED? L

2. ARE ALL EXPENSES CORRECT AND JUSTIFIED? L

Periodically, not less than quarterly, the Local Auditor should verify all expenses charged against this account. He should raise a question regarding any items which he feels are not justifiable. The Local Auditor should exercise his own judgment in determining whether or not disbursements should be verified directly with the person to whom paid. Direct verification would be in order if he is not able in some other manner to completely satisfy himself that these expenses are proper. During his review of this account, the Local Auditor should determine that there are no entries posted therein which should have been charged to another account.

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INCOME NON-OPERATING INCOME

PROFIT OR LOSS ON SECURITIES SOLD

1. ARE ALL PROFITS AND LOSSES VERIFIED? L

Quarterly the Local Auditor should review all transactions handled by the Bond Department to be sure that the proper amount of profits or losses are being entered to the proper account on the records of the bank. This work should be tied in with his audit of the entries in connection with the "Reserve for Bond Account".

2. ARE PROPER TAX PERCENTAGES APPLIED TO GAINS OR LOSSES ON SECURITIES SOLD? L

In connection with the work outlined above, the Local Auditor should, at the same time, determine that the proper amount of taxes are applied in connection with the Accrued Income Tax Account and the Reserve for Income Tax Account.

TRANSFERS FROM RESERVE FOR BOND ACCOUNT

1. ARE ALL TRANSFERS THE PROPER PERCENTAGE OF LOSSES ON SECURITIES SOLD? L

In connection with his quarterly audit of profit or loss on securities sold, the Local Auditor should determine whether or not the proper percentages of losses are transferred from the Reserve for Bond Account.

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INCOME — NON-OPERATING INCOME

RECOVERIES

1. ARE ADEQUATE RECORDS KEPT ON CHARGED-OFF ASSETS? L

2. ARE PROPER EFFORTS BEING MADE TO EFFECT RECOVERIES? L

Each bank should maintain adequate records on all charged-off assets, and responsibility for these records should be specifically assigned to an individual Proper efforts should be made to effect recoveries on a continuous basis, and in this connection, the Local Auditor should determine that a routine has been established for following these charged-off assets. Once the Local Auditor has determined that the procedures to be followed are adequate, he should not stop here, but should review with the persons responsible at least quarterly the efforts expended to effect recoveries.

3. ARE ALL DEBITS TO OTHER RECOVERIES REVIEWED AND APPROVED BY THE LOCAL AUDITOR PRIOR TO POSTING? L

Debits for unclaimed deposits, previously credited and being refunded, should be reviewed by the Local Auditor prior to posting, and verified on a positive basis with the customer. Any other debits to the account should similarly be reviewed to determine that they are proper.

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EXPENSES NON-OPERATING CHARGES

FEDERAL INCOME TAXES

1. ARE TAXES COMPUTED PROPERLY, PARTICULARLY TAXES ON CAPITAL GAINS AND LOSSES? T

   Once each year, the Traveling Auditors should review the copy of the income tax return to see whether or not taxes have been computed properly. Any questions should be directed to the Comptroller.

2. IS THE PROPER AMOUNT OF ESTIMATED TAX PAID WHEN DUE? L

   Estimated income taxes must be paid by the bank by April 15th, June 15th, September 15th, and December 15th. The Comptroller's Department will advise the Cashier of each office the amount of estimated income tax to be remitted. The Local Auditor should review these payments to determine that the amounts are correct and the remittances were forwarded when due.

ADDITION TO RESERVE FOR LOAN LOSSES

1. ARE ADDITIONS APPROVED BY THE BOARD OF DIRECTORS? T

2. ARE ADDITIONS ACCRUED MONTHLY? T

3. ARE ALL ENTRIES PROPER INCLUDING CONTRA ENTRIES? T

   The Traveling Auditors, at the time of their annual audit, should check the minutes of the Board of Directors' meetings to verify that all additions to the Reserve for Loan Losses have been approved by the Board of Directors. At the same time, they should determine whether or not the bank is accruing these additions on a monthly basis. They also should ascertain that no credits are being made to this account that should be credited to some other account, in particular to "Other Recoveries".

CONTRIBUTION TO PROFIT SHARING TRUST FUND

1. IS THE CONTRIBUTION IN ACCORDANCE WITH TERMS OF THE TRUST FUND? T

2. IS THE PROPER AMOUNT BEING ACCRUED MONTHLY? T

   The Traveling Auditors should examine the contributions to the profit sharing fund to be sure that they are in accordance with the terms of the trust fund. They also should check the monthly accruals to the profit sharing fund to determine whether or not the monthly contributions are in the proper amount.

ADDITIONS TO RESERVE FOR BOND ACCOUNT

1. ARE SUCH ADDITIONS THE PROPER PERCENTAGE OF PROFITS ON SECURITIES SOLD?

Quarterly, and at the same time the Local Auditor audits profit and loss on securities sold, he should determine that additions to the Reserve for Bond Account are the proper percentages of profits on securities sold.

OTHER DEDUCTIONS

1. ARE ALL CHARGE-OFFS APPROVED BY THE BOARD OF DIRECTORS?

The Local Auditor should review the minutes of the Board of Directors meetings to determine whether or not all charge-offs have been approved by the Board of Directors. The Local Auditor should also study the explanations to determine whether further questioning or investigation is in order.

DISTRIBUTION OF PROFITS

RETAINED AS PART OF CAPITAL FUNDS

1. IS REMAINDER OF NET PROFITS TRANSFERRED ANNUALLY TO UNDIVIDED PROFITS?

The Auditors should determine whether or not the remainder of net profits after dividends has been transferred to Undivided Profits on an annual basis.

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OTHER TRAVELERS CHEQUES

1. ARE CHEQUES ON HAND VERIFIED PERIODICALLY WITH THE ISSUING AGENCY? L

Semi-annually the Local Auditor should verify the travelers cheques on hand with the issuing agency to make sure that all are accounted for. He should also determine that the bank is not holding an excessive supply of cheques.

2. ARE DAILY PROCEDURES BEING HANDLED PROPERLY? L

The Local Auditor is responsible for determining that daily procedures are in order. In addition to checking these procedures at the time he verifies travelers cheques with the issuing agency, he should make special observations each time he performs other work in or around the department. Although one and only one person should be charged with the overall responsibility for travelers cheques and the maintenance of the daily inventory, it is permissable for more than one employee to sell travelers cheques, provided each employee maintains a separate supply of travelers cheques for which the employee alone is responsible. If such is the case, each employee must report all sales to the person charged with the overall responsibility for travelers cheques so that the daily continuous inventory will be correct. Each morning, each employee who has a supply of cheques should check the number of the last issued cheque of the previous day against the numbers of the cheques on hand to be sure that there has been no skip in these numbers. The individual responsible for the preparation of the daily report of sales must be sure that all cheques which have been sold are in consecutive order and follow those of the previous report. The vault supply of the cheques should be under the control of the person charged with the overall responsibility, with only an adequate operating supply held by each employee selling cheques. If any person charged with the responsibility for travelers cheques is relieved of this duty, his/or her successor should be checked in as to travelers cheques on hand just like we do our tellers who handle cash so that, at all times, we will be able to pin point responsibility to one person.

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OTHER

FOREIGN DRAWING AND REMITTING SERVICE

1. ARE EXCHANGE RATES AND COMMISSION INCOME FROM SALES OF THIS SERVICE VERIFIED? L

In the offices offering foreign drawing and remitting service, the Local Auditor should spot check, or where the volume is not great, check 100% of the exchange conversions and trace commission income to the General Ledger. This work should be planned in conjunction with other work performed at the office or the International Department. Each office should retain in it's files office copies of the drafts and foreign transfers on which there is provided a space for recording the rate and commission charges. These foreign drafts and transfers are prenumbered and should be issued in numerical sequence.

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OTHER

FOREIGN COLLECTION DEPARTMENT

1. ARE COLLECTION ITEMS UNDER NUMERICAL CONTROL? L

The Local Auditor should be aware of whether or not this control is being exercised, and through frequent observation he should determine that numerical sequence is being maintained.

2. ARE ITEMS ENTERED FOR COLLECTION VERIFIED BY BALANCING AND TRACING? L

The Foreign Collection Department should maintain daily updated control records on outstanding collections. Semi-annually the Local Auditor should balance all outstanding collections against these records, and trace their disposition of payments covering these items.

3. ARE REMITTANCES INTERCEPTED QUARTERLY WITHOUT THE KNOWLEDGE OF THE DEPARTMENT, AND THE PROPER CREDITING BY THE DEPARTMENT VERIFIED? L

On a quarterly basis, the Local Auditor should intercept remittances without the knowledge of the department over a period of about three or four days. In doing this he should make a record of the remittances and after the department has put through their work, the Local Auditor should verify the proper crediting of each individual remittance. Unless remittances are intercepted without knowledge of the department, the audit is rendered ineffective. The Local Auditor should continue his efforts to intercept without knowledge of the department, but where he is not sure that this is being accomplished, he should proceed with an application of funds audit by intercepting the department's block from the Proof Department to determine the presence of any lapping of funds. For example, if the Auditor finds a remittance which should have been credited to "B" but was credited to "A", this would be a strong indication of fund lapping and must be investigated.

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OTHER

COLLECTION ITEMS - NOTES, CHECKS, DRAFTS, ETC.
(NON-CASH ITEMS)

1. ARE COLLECTION ITEMS, NOTES, CHECKS, AND DRAFTS UNDER PRE-NUMBERED NUMERICAL CONTROL? L

   The Local Auditor should be aware of whether or not pre-numbered numerical control over these items is in effect and account for all missing numbers, generally for multi-payment notes, quarterly. A division of duties is necessary whereby one person is responsible for receiving the items from the customer, preparing the collection records, and then turning them over to the Collection Department for handling.

2. IS CASH CARRIED BY THE CITY COLLECTION TELLER HELD TO A MINIMUM? L

   The cash requirements of this teller should be considerably less than the regular Paying and Receiving Teller. This cash should not be allowed to build up, and the Local Auditor should keep this fact in mind during his regular cash audits. A build-up in cash would afford a greater opportunity of withholding or lapping of funds.

3. ARE ITEMS FOR COLLECTION VERIFIED SEMI-ANNUALLY? L

   The Local Auditor should semi-annually verify direct with the maker and payee one-fourth (1/4) of all collections held, to ascertain that no funds are being withheld. The important thing to consider in this verification is that all items are accounted for and that the Auditor would detect any that were withheld. The Auditor's use of pre-numbered control would serve this purpose. In the offices where the volume is not great, one hundred percent direct verifications should be made annually.

4. ARE NON-CASH ITEM COLLECTION PAID ADVICES SENT TO THE LOCAL AUDITING DEPARTMENT DAILY? L

   As single payment items and final payments on multi-payment items are paid, the Auditor's copy of the payment tickler should be marked "PAID" and sent to the Local Auditor. The Local Auditor should accumulate these copies and file them in numerical order. The Local Auditor should check these advices against the actual credits on a spot check basis to

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OTHER

COLLECTION ITEMS (Continued)

determine that the customer has received credit as indicated. The application of funds audit is very important in this area. Not less than quarterly, the Local Auditor should intercept the department's block from the Proof Department in an effort to uncover any lapping of funds where checks are used in the lapping operation. Cash payment of items should be verified with the payer.

5. ARE OLD ITEMS HANDLED PROPERLY? L

Each time the Local Auditor is involved in any work in this department, he should ascertain that all old items which cannot be collected are being promptly returned to the customer and proper acknowledgement received from the customer, or, if the items are undeliverable, they should be placed in the Cashier's box.

6. ARE COLLECTION TELLERS ROTATED AFTER PROPER INTERVALS? L

Rotation of the collection teller is especially important from an auditing standpoint. The person who receives and processes payments in this department should serve no more than fifteen months in that capacity and should be rotated after having served that period of time. The Local Auditor should review periodically the teller's length of service, and about three months before rotation is due, the Local Auditor should point out this fact to the officer in charge.

7. ARE ENVELOPES WHICH CONTAINED PAID NOTES OR OLD UNCOLLECTIBLE NOTES HELD UNTIL YEAR END? L

During his semi-annual verification of items left for collection, the Local Auditor should determine that envelopes which contained collection notes paid out during the year, and envelopes which contained collection notes returned to our customers because of non-payment by the borrowers during the year, are held until the end of the current year in a "Paid-Out" file. The bank must file a Form 1099 on any customer receiving an aggregate total of interest of $600.00 or more during the year, regardless of the number of notes left with the bank for collection by the customer. The information needed to complete these 1099's is obtained from the note collection envelopes.

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OTHER SAFE DEPOSIT DEPARTMENT

1. IS AN ADEQUATE RECORD OF ENTRIES MAINTAINED, AND HAS THE AUDITOR TEST CHECKED THE ACCESS TICKETS TO DETERMINE THAT ONLY AUTHORIZED ENTRANCE IS PERMITTED AND THAT TICKETS ARE PROPERLY COMPLETED AND INITIALED? L

The Local Auditor should satisfy himself that the Safe Deposit Department is maintaining an adequate record of entries into safe deposit boxes, or storage files. Quarterly, the Local Auditor should select a block of access tickets and compare the signatures against authorized signatures on file. All tickets should be properly initialed and completed to include the date and time of entry. The Auditor should also observe whether or not the vault custodian is comparing signatures before entry is permitted.

2. IS PROPER CUSTODY MAINTAINED OVER GUARD KEYS? L

The Local Auditor should, by observation and questioning, determine that the guard key is properly safeguarded so that there will be no possibility of unauthorized people having access to it. This should be observed each time the Local Auditor is performing work in the department or in the area.

3. ARE KEYS TO UNRENTED BOXES UNDER DUAL CONTROL? L

All keys to unrented boxes must be kept under strict dual control so that no one individual will have access to the box or compartment containing keys to unrented boxes. The important thing for the Local Auditor to keep in mind is that dual control must be constant. Therefore, the Local Auditor should specifically determine that no breakdowns in the dual control have occurred each time he is in or around the Safe Deposit Department.

4. DO ONLY CUSTOMERS REMOVE AND RETURN BOXES FROM AND TO SAFES? L

When auditing the Safe Deposit Department, the Local Auditor should observe the vault custodian's procedure of serving the customers. When the compartment door has been opened, the customer should remove his box from the safe and also return it to the compartment when the compartment has been re-opened for this purpose. Under no circumstances should the custodian enter the vault alone for the purpose of delivering a box to a customer.

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OTHER SAFE DEPOSIT DEPARTMENT

5. IS IT STANDARD PROCEDURE TO CLOSE AND LOCK THE DOOR OF A SAFE DEPOSIT BOX WHILE THE CUSTOMER IS INSPECTING THE CONTENTS OF HIS BOX? L

During his observations, the Local Auditor should determine that the vault custodian had locked the door to safe deposit boxes while the customers are inspecting the contents of the boxes. It is also important that the keys not be left hanging in the locks as the customers keys should remain in the customer's possession at all times. If the doors are left open, a box could inadvertently be replaced in the wrong compartment. If keys are left in the locks it is possible that an impression of the key for duplication purposes could be made, and in case of a claim for missing contents, the bank should always be in a position to certify that customers keys remained in the possession of the customer.

6. ARE LOCKS CHANGED UPON TERMINATION OF LEASES AND BEFORE SAFES ARE LEASED TO NEW TENANTS? L

Locks must be changed when leases are terminated. There must be no exceptions. The Local Auditor should determine that this procedure is strictly adhered to through continuous observation and questioning of safe deposit personnel.

7. ARE NEW KEYS PLACED UNDER DUAL CONTROL IMMEDIATELY UPON RECEIPT? L

When new keys are received from the Printing Department in Atlanta, they must not be accumulated and placed under dual control at a later date. It also is very important that the vault custodian not be the person who receives the new keys. Best control can be had if the keys are received by a person detached from the safe deposit operation - then this person and the vault custodian should place them in the key safe in presence of each other. In addition, the person who receives the new keys must be one who does not have access to the guard keys. The Local Auditor should review this operation frequently so that he will be aware of any deviation from prescribed procedure.

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OTHER SAFE DEPOSIT DEPARTMENT

8. ARE CONTENTS OF DRILLED SAFE DEPOSIT BOXES BEING HANDLED PROPERLY? L

After rent on a safe deposit box has been past due for a year and a registered letter to the customer informing him that his box will be entered and the contents removed if rent is not paid within 30 days has brought no response, the box may be drilled for non-payment of rent. Boxes for which there are no keys or rent cards in file may be drilled after they have been sealed with an Auditor's seal for not less than two years. When a safe deposit box is drilled for rent non-payment, the contents should be inventoried and listed on a pre-numbered inventory Form No. 20-1022. The entire procedure for drilling boxes, preparing inventories, storing contents, etc., is outlined in G.O.G. 17.25, and each Local Auditor should be thoroughly familiar with what it says. It is mandatory that the procedures outlined in G.O.G. 17.25 be followed. When accounting for the contents of drilled boxes, the Local Auditor should also account for all serially numbered Inventory Forms (Form #20-1022) assigned to the office. There should be no missing numbers.

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OTHER — SAFE DEPOSIT DEPARTMENT

9. DOES BANK MANAGEMENT AND VAULT CUSTODIAN KNOW THE POTENTIAL HAZARDS AND LIABILITIES OF SAFE DEPOSIT BUSINESS, AND DO THEY REALIZE THE PENALTY OF NEGLIGENCE? L-T

In making his regular audits of this department, the Local Auditor should be able to determine whether or not the people responsible recognize the potential hazards of the operation. He should make sure that they understand the reasons for the various safeguards and controls. When the situation is truly understood, the problems of control are much diminished. The Traveling Auditors should also ascertain that proper importance is placed on the prescribed safeguards in the operation of this department.

10. ARE UNRENTED SAFE COMPARTMENTS, FOR WHICH THERE ARE NO KEYS IN THE UNRENTED KEY FILE, SEALED BY THE AUDITOR? L

When accounting for keys, the Local Auditor should determine that there are two keys in the unrented key file for all unrented boxes. A report should be prepared on all exceptions. If there are no keys in the unrented file for a box that the bank has no record of renting and the rentor can not be determined by reviewing safe deposit rental income tickets or other means, the Local Auditor should seal the safe compartment by placing his audit seal over the key slots. The Local Auditor should periodically inspect his seal to determine that it has not been tampered with, and that it remains on the box for a period of two years. At the end of the two-year period, if no one has seeked access to the compartment or paid rent on it, the lock should be drilled for non-payment of rent and the contents inventoried as outlined under Question No. 8 of this same section of the Commercial Audit Manual.

1. ARE ALL ITEMS PHYSICALLY VERIFIED ANNUALLY?

Annually, the Local Auditor should verify physically all items held in storage. All items held should have a seal attached bearing a printed number that agrees with the number on the contract signed by both the customer and the bank's representative.

2. ARE ALL ITEMS HELD UNDER DUAL CONTROL?

The Local Auditor should during his annual audit insure that dual control is maintained over items held in storage.

3. ARE ITEMS HELD IN STORAGE VERIFIED WITH CUSTOMERS ANNUALLY?

At the time the Local Auditor physically verifies the presence of the items held, he should send a verification directly to the customer. The Local Auditor should also verify directly with the customer all contracts closed since his last audit.

4. IS THERE A DESCRIPTION OF THE ITEM(S) ACCEPTED FOR STORAGE ON THE CONTRACT?

The Local Auditor should during his annual physical verification of the items held in storage insure that the contracts in force bear a description sufficient enough to positively identify the item(s) held for each customer. Also, the customer must declare the value of the item(s) accepted for storage by the bank.

5. ARE STORAGE CONTRACTS UNDER NUMERICAL CONTROL AND ARE ALL NUMBERS ACCOUNTED FOR?

The Local Auditor should during his annual audit of this department insure that storage contracts are under strict numerical control and that all numbers are accounted for. When the bank enters into a contract with a customer to hold an item or items in storage for him, the customer and a representative of the bank must sign both copies of the contract. The customer receives the original contract and the duplicate is retained by the Safe Deposit Department. When the contract is terminated, the customer must sign the release protion of the contract along with two representatives of the bank, one of whom preferably is a senior employee.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

NIGHT DEPOSITORY

1. IS THE OPENING OF THE NIGHT DEPOSITORY SAFE AND THE REMOVAL OF ITS CONTENTS HANDLED PROPERLY? L

Whenever working in or around the night depository area, but not less than quarterly, the Local Auditor should determine that the night depository safe is being unlocked under strict dual control. No one person should be able to unlock the safe by himself. All contents of the safe should be removed from the depository and registered under dual control. The safe door should then be closed and locked, and the door alarm reactivated if there will be more than a five-minute delay before the main vault door is opened. Each of the individuals comprising the dual control should verify the bag numbers and the number of envelopes found in the safe, and each party of the dual control must sign the log book. It is mandatory that the bank's records support the fact that the safe was opened and the contents were removed under dual control.

2. AFTER REMOVAL FROM THE NIGHT DEPOSITORY SAFE, ARE THE CONTENTS PROPERLY SAFEGUARDED? L

After the night depository bags have been removed from the safe and logged in under dual control, they should be assigned to individuals who will be responsible for controlling the bags until they are called for by customers, or until the contents have been processed where the bank is authorized to do so. The individuals accepting the bags should initial the log book for each bag, indicating their receipt of each bag. This night depository log book should clearly indicate the employee who is responsible for holding the bag until it is called for by the customer, or the employee responsible for processing the contents of the bag.

3. ARE NIGHT DEPOSITORY BAGS DELIVERED ONLY TO PROPERLY AUTHORIZED INDIVIDUALS? L

After the individuals who are responsible for controlling and protecting night depository bags until they are called for by customers, or who are responsible for processing the contents of the bags, have receipted for the bags on the night depository log book, they should pull the customers' signature cards, and match them with the bags. The signature cards should not be housed with the bags to prevent loss of bag and card. As the bags are signed for by the customers, the signature cards should be re-filed. At the end of the day, there should be a bag remaining for each outstanding card. This will provide the employees responsible a means for accounting for all undelivered bags, which must be safeguarded overnight in the bank vault.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

NIGHT DEPOSITORY

4. ARE KEYS TO BAGS WHICH THE BANK IS AUTHORIZED TO OPEN PROPERLY CONTROLLED? L

All keys held to bags that the bank is authorized to open by customers who have elected to accept the "bank's count" should be controlled by those individuals whose responsibility it is to verify the contents of the bags. If one teller is responsible for processing the contents of such bags, the keys to the bags should be kept in that teller's cash drawer. If more than one teller processes bags, the keys should be held by an individual not connected with the dual control opening of the safe, and assigned with the bags to specific tellers. Keys to night depository bags should never be left exposed and unattended.

5. IS THE CHECK DEPOSITORY OPENED UNDER DUAL CONTROL? L

The check depository is frequently used by customers for cash deposits. Therefore, it is mandatory that the check depository be opened under dual control. Under no circumstances do we want to put one of our employees in the position of having individually remove the contents of the check depository, and then have a customer make a claim for a missing cash deposit.

6. ARE ALL CASH DEPOSITS FOUND IN EITHER THE CHECK DEPOSITORY OR THE NIGHT DEPOSITORY SAFE VERIFIED UNDER DUAL CONTROL? L

Envelopes found in either the night depository safe or the check depository should be opened under dual control, and those containing cash should be recorded in a log book, which should be initialed by the two individuals opening the deposits. If one of the two parties of the dual control is a teller, the teller can go ahead and process the cash deposits. Otherwise, the cash deposits should be turned over to a teller, who should receipt the log book for the deposits, and then process them. Envelopes which do not contain cash need not be recorded except for the total number found. These should then be passed on to other tellers for processing in the normal manner.

7. ARE UNRENTED NIGHT DEPOSITORY BAGS AND KEYS PROPERLY PROTECTED? L

All keys to unrented night depository bags should be tagged with the corresponding bag number and held under dual control until the bag is rented. Unrented night depository bags should be held in the cash vault by the head teller.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

NIGHT DEPOSITORY

8. ARE NIGHT DEPOSITORY RECORDS ADEQUATE? L

The Local Auditor should test check customers' signature cards (bag receipt cards), rental agreements, indemnity agreements, and lost bag statements. He should determine that bags are not being delivered to unauthorized individuals, indemnity letters, rental agreements, etc., are being fully completed and properly signed, and that missing bags are supported by lost bag statements.

9. IS THE NIGHT DEPOSITORY OPERATING PROPERLY? L

During his quarterly reviews, the Local Auditor should determine that the night depository head is operating properly, that it is fish-proof, and in the case of new installations, that the safe and chute are encased in reinforced concrete.

OPERATIONS

1. HAS THE LOCAL AUDITOR OR COMPTROLLER'S DEPARTMENT APPROVED ALL NEW ACCOUNTS OPENED ON THE GENERAL LEDGER? L

The Local Auditor must be sure that he is made aware of any new accounts contemplated for the general ledger before they are put into use, regardless of whether they be Asset, Liability, Income or Expense accounts. All accounts that are opened on the general ledger must be pre-approved by the Local Auditor or Comptroller's Department.

If, in the judgment of the Auditor, the establishment of an account would conflict with normal banking practices or auditing procedures, the matter should be discussed with the Operations Officer. In the absence of mutual agreement, the matter should be referred to the Comptroller or the General Auditor.

2. DISCUSS BRIEFLY ANY RECOMMENDED CHANGES. L

In any audit work, the Auditor should observe the systems and methods being used and constantly seek improvements. When the Auditor feels that improvements can be made in a system or procedure in use by the bank, it would be best to discuss the matter with the Operations Officer in the bank. If both the Auditor and the Operations Officer feel that the change would be wise, steps should be taken to effect the change. If the discussion does not lead to mutual agreement, it would be advisable for the Auditor to present the matter to the Comptroller for his action.

3. ARE EDP SERVICE CONTRACTS ON FILE?

If the bank being audited either performs a computer service for another bank, or has another bank perform any computer service for it, there should be an EDP service contract in file (except between offices of the same bank). Annually, the Local Auditor should determine that these contracts are in file.

4. ARE GENERAL LEDGER DEBITS OFFICIALLY APPROVED?

The Local Auditor should determine whether or not debits to general ledger accounts are approved by officers or properly authorized individuals. The only exceptions permitted are as follows:

1. Interior Transfers.
2. Proof Department resume entries, and subsequent entries made by control clerks to effect changes to adjust general ledger accounts for the particular day's transactions.
3. Entries to Cash.

OPERATIONS - Continued

All tickets must bear adequate descriptions of transactions. No official approval is required for credit entries, except credits to Overage and Shortage accounts. Names of individuals preparing tickets, and signatures and titles of officers approving the entries, must appear on the tickets.

BRANCH OFFICES AND LARGE OPERATING DEPARTMENTS STAFFED WITH ONLY ONE OFFICER

For branch offices or large operating departments where there is only one officer assigned, a designated managerial person of the same area may approve debit tickets, except debits to income accounts, expense accounts, and either debits or credits to "Over and Short", provided there is on file a letter indicating that the individual has authority to approve debit tickets.

5. DOES AN OFFICIAL OR SENIOR MALE EMPLOYEE OF THE BANK EITHER CLOSE OR WITNESS [illegible] VAULT, AND CHECK [illegible]

Two people should close the bank's vaults each day, one of whom preferably should be an officer of the bank. If it is not practical for an officer to be present because of meetings, business calls, etc., a senior responsible male employee may assist the Head Teller with the vault closing. This official or senior employee should verify that the vault time has been placed on the time locks, the clocks are running, the door is properly closed, and the combination dial spun. A log book should be maintained in which the date, time, number of hours, and initials of the two individuals are recorded. The Local Auditor should inspect the log book at monthly intervals to determine that all closings have been properly witnessed and recorded.

6. IS INCOMING MAIL [illegible] BY DESIGNATED PARTIES? L

Incoming mail should be routed through a mail department which preferably should be under the control of the Local Auditor. Where it is not practical for mail department to come under the supervision of the Local Auditor, he should investigate from time to time in checking the ultimate disposition of monies received in order that the possibilities of loss might be held to a minimum.

OPERATIONS - Continued

7. IS INCOMING REGISTERED MAIL RECEIPTED FOR BY THE RESPONSIBLE DEPARTMENTS?

The Local Auditor should determine whether or not responsibility can be placed on an individual with respect to incoming registered mail. He should check the registered mail book and question personnel at least quarterly in determining the adequacy of the system and whether or not there have been any breakdowns in the control.

8. IS THE REVIEW AND CONTROL OF OLD RECORDS ADEQUATE AND IN COMPLIANCE WITH THE FINANCIAL RECORDKEEPING AND REPORTING ACT?

The Local Auditor should assure himself that the operating personnel are reviewing old records, retaining those which need to be retained, and controlling their location effectively. He also should check to see whether or not operating personnel are destroying old records as allowed and suggested by the bank's destruction schedule. In particular, the Local Auditor should see that the records providing audit trails, and the records required by the Financial Recordkeeping and Reporting Act, are not destroyed prematurely. When new systems are adopted, the Local Auditor should immediately review the retention of records schedule.

9. DOES THE BANK MAINTAIN PROPER FACILITIES FOR HANDLING LATE CUSTOMERS?

The Local Auditor should ascertain from time to time that the bank maintains proper facilities for handling late customers. Normally, this would be in the form of after-hour teller windows to take deposits. Usually, Installment Loan customers should have access to the department until five o'clock.

10. IS THE BANK'S CURRENT CHARTER IN FILE?

Once each year, the Local Auditor should determine that the bank's charter is in file, where appropriate, and that the thirty-year expiration date has not been overlooked. The Local Auditor should review the minutes of the annual stockholders' meeting and see that the charter expiration date is shown, in accordance with GOG 26.372.

11. IS INFORMATION ON VARIOUS STATISTICAL REPORTS BEING COMPUTED ACCURATELY?

Semi-annually, the Local Auditor should review copies of the last statistical reports, particularly the Monthly Operations Report, to ascertain that the reports are being properly made to the Comptroller's Department and that this statistical information is being accurately compiled. In doing this, the Local Auditor should keep in mind that, for example:

OPERATIONS - (Continued)

A small error in the number of personnel reported in a given area could result in a large error in the final analysis. Accuracy in compiling statistical information is very important; therefore, the Local Auditor should keep himself well versed on all instructions in connection with this subject.

12. HAS THE FILE "THINGS OF INTEREST TO THE CASHIER" BEEN REVIEWED AND FOUND IN ORDER?

Annually, the Local Auditor should ascertain by inspecting the safe deposit box issued to the Cashier that this box only holds the proper instruments for the bank's use and that it does not contain illegal collateral, signed blank notes, or such other items of that nature which are not on the bank's records.

13. ARE AT LEAST TWO FIRE EXTINGUISHERS AVAILABE FOR EMERGENCY USE?

At least semi-annually, the Local Auditor should check each office and determine that at least two fire extinguishers are conveniently located and that the service dates have not expired. Preferably these extinguishers should be all-purpose type which could be used on electric, gasoline or any type fire. If all-purpose extinguishers are not used, at least one of the extinguishers should be of the type for use on electric fires, and at least one other should be the type used on gasoline and other fires.

14. IS THE LIST OF CUSTOMERS WHO REGULARLY HAVE LARGE CURRENCY TRANSACTIONS CURRENT?

The Financial Recordkeeping and Reporting Act requires each teller and the Branch Manger of each office should have a copy of the list of customers who regularly have currency transactions of more than $10,000.00. These list must be reviewed, and kept current and accurate.

15. IS A CURRENCY TRANSACTION REPORT PREPARED WHEN NECESSARY?

Through observation and questionning, the Local Auditor should determine that a Currency Transaction Report is being properly completed on unusual transactions involving more than $10,000.00 cash. Generally, the Head Teller will prepare the reports.

16. DOES THE OFFICE HAVE A FOREIGN TRANSACTION FILE?

The Financial Recordkeeping and Reporting Act requires that banks maintain records of transactions of more than $10,000.00 involving a person, account, or place outside the United States. A copy of each such transaction should be placed in the Foreign Transactions File.

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17. ARE EMPLOYEES AWARE OF THE PENALTIES THAT MAY BE IMPOSED FOR FAILURE TO FILE CURRENCY TRANSACTION REPORTS?

Willful failure to file a fully and accurately prepared Currency Transaction Report when required could cause the bank and the employee to be assessed a civil penalty not exceeding $1,000.00 or be imprisoned not more than one year. All employees handling currency transactions should be aware of these penalties.

PERSONNEL

1. DO THE OFFICERS AND EMPLOYEES SEEM HAPPY IN THEIR WORK? L

2. ARE THE OFFICERS AND EMPLOYEES GIVEN PROPER INSTRUCTIONS AS TO THEIR DUTIES AND RESPONSIBILITIES? L

3. ARE THE OFFICERS AND EMPLOYEES EFFICIENT? L

4. ARE SALARIES ADJUSTED ANNUALLY ON MERIT RATHER THAN SENIORITY EXCEPT FOR EXCEPTIONAL CASES AND AUTOMATIC RAISES? L

5. ARE DEPARTMENT HEADS RESPONSIBLE INDIVIDUALS? L

6. ARE DEPARTMENT HEADS PART OF MANAGEMENT? L

7. ARE OFFICERS AND EMPLOYEES NEAT IN THEIR WORK? L

8. ARE OFFICERS AND EMPLOYEES COURTEOUS AND COOPERATIVE IN DEALING WITH CUSTOMERS? L

9. ARE INEFFICIENT EMPLOYEES WEEDED OUT AS SOON AS PRACTICAL? L

All the foregoing questions under this heading can be determined only through personal observation by the Local Auditor. This phase is a very important aspect of any audit. It is a responsibility of all auditing personnel to be alert at all times in order that they may properly evaluate the personnel situation to the best of their ability.

10. ARE ALL OFFICERS AND EMPLOYEES BEING ROTATED AFTER PROPER INTERVALS? L

Rotation of personnel is a very important audit safeguard in addition to serving as a training tool. There are a number of jobs and departments which should be classified as critical areas with respect to rotation of personnel. The Local Auditor should be able to recognize these as he carries out his duties and in studying the audit manual. He should keep records of the people and the length of time served in those capacities, bringing this fact to the attention of management far enough in advance in order that the rotation program may be effectively carried out. During the annual review it should be determined that a program of rotation is in effect, and in the report should be listed any instances in need of attention not covered by the program.

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PERSONNEL

11. ARE ALL OFFICERS AND EMPLOYEES REQUIRED TO TAKE ANNUAL VACATIONS? L

The Local Auditor should determine that all officers and employees are taking annual vacations. Where practical, it is suggested that the Local Auditor obtain a list of the vacation schedule in determining that all personnel are included.

12. ARE NO OFFICERS AND EMPLOYEES ALLOWED TO SPLIT THEIR VACATIONS WITHOUT THE PRESCRIBED PERMISSION AND WITHIN THE LIMITS OF THE BANK'S POLICY? L

The Local Auditors should determine adherence to this policy. The bank's policy on this subject is as follows: In the case of one or two weeks' vacation, the period away from work must not be split. The entire vacation is expected to be taken at one time except where special permission for a "split" vacation is granted by the Personnel Officer, Department Manager, and the General Auditor.

In the case of three or four weeks' vacation, at least two weeks should be taken at one time, and this period should cover a month's end. The number of weeks in excess of two may be transferred to the following year, but the vacation carried forward must be taken the second year, either with accrued vacation or separately. When vacations of three or four weeks are split for two consecutive years, the entire vacation must be taken in the third year without a split. Any exception to this policy must be satisfactorily explained.

13. WERE ALL REPORTS OF DIRECT AND INDIRECT INDEBTEDNESS OF OFFICERS TO OWN AND/OR OTHER BANKS FULLY COMPLETED IN EVERY DETAIL AND TURNED IN DURING THE AUDIT? L

The General Auditor, or his officer assistant, at the beginning of the audit, should deliver forms for this purpose to all officers. He should request that these forms be completed and turned in by the end of the audit. The General Auditor should make an exception on any that have not been turned in fully completed, commenting on the reason under the "Specific Comments" section of his report.

14. HAVE ALL LOANS MADE TO OFFICERS OR THEIR SPOUSES BEEN CLEARED THROUGH THE PROPER CHANNELS? L

Loans made to officers or their spouses should be cleared through the Executive Vice Presidents of the National Bank offices and the Presidents of the Affiliated banks. The annual audit should include a list of these loans.

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PERSONNEL

15. IS THE PROPER DIVISION OF DUTIES ADEQUATE IN ALL JOBS AND IN ALL RESPECTS? L

The proper segregation of duties is an all important audit tool. Normally, responsibility for an entry from origination through final disposition vests too much control in one individual. The Local Auditor should be familiar with the various job assignments in order that he may determine whether or not there is proper division of duties. In making this test, the Local Auditor should keep in mind the fact that proper division of duties should always provide the work of one individual to serve as a check on the work of another individual.

16. ARE LOANS TO OFFICERS, OFFICERS' SPOUSES, OR EMPLOYEES SEGREGATED AND CARRIED UNDER SEPARATE TOTALS? L

Officers' loans, loans to officers' wives or husbands, and loans to employees should be segregated and carried under separate totals to facilitate their being reviewed periodically by management and to provide a more accurate means of obtaining this information for audit reports. During his periodic audits of loans, the Local Auditor should determine that this is being done. Annually, the Auditor will prepare a schedule of these loans for inclusion in the annual audit report.

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THE CITIZENS & SOUTHERN NATIONAL BANK

INSTALLMENT LOAN AUDIT MANUAL

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CASH

1. HAS THE CASH HELD BY THE DEPARTMENT BEEN RECONCILED QUARTERLY WITH THE AMOUNT CHARGED TO THE DEPARTMENT? L

Quarterly, the Local Auditor should count the cash and reconcile the total with the amount charged to the department.

2. IN THE RECONCILIATION OF CASH, WERE ALL DEBIT ITEMS CURRENT AND IMMEDIATELY COLLECTIBLE? L

In verifying the cash, the Local Auditor must take into consideration all debit and credit items in the work at the time. To make sure all debit items are valid, they should be traced to their final payment. Checks drawn on the bank being audited can be verified with the Bookkeeping Department, and all other checks should be replaced with an interior transfer, the checks marked with an Auditing Department stamp and re-deposited. All return items so marked should be returned to the Local Auditor. The Auditor should keep in mind the possibility of a shortage being covered through floating invalid checks.

3. IS CASH DRAWER LOCKED WHEN UNATTENDED WITH ONLY ONE PERSON HAVING ACCESS TO EACH FUND, OR OTHERWISE HANDLED SO THAT DEFINITE RESPONSIBILITY CAN BE ESTABLISHED AT ALL TIMES? L

The Local Auditor can determine this through observation and questioning. Observations should be made on a surprise basis at intervals frequent enough to insure compliance. In addition to reviewing all exceptions with management, the Local Auditor should make a record of the dates and names of tellers involved. Where no exceptions were noted, the Local Auditor's record should indicate dates observations were made.

4. IS CASH HELD TO A MINIMUM AT ALL TIMES? L

The matter of whether cash held by the Installment Loan Department is excessive or insufficient should be determined by the Local Auditor when he verifies the tellers' cash. Particularly should the department avoid keeping excess cash on hand. Where the Local Auditor feels that too much or too little cash is being held, the matter should be discussed with the management of the department in order to arrive at the true operating requirements.

5. IS OVER AND SHORT RECORD OF TELLERS NORMAL? L

The Local Auditor should maintain a record of the over and short entries, by the names of the individuals responsible for the overages and shortages. If this procedure is followed, the Local Auditor will have before him at all times a cumulative record of the individuals in the bank causing overages and shortages, and, depending upon the individual jobs concerned, can determine if any individual's record is unsatisfactory. Unsatisfactory records should be brought to the attention of the Operations Officer and the Department Manager. In reviewing such records, the absence of overages and shortages should be investigated as much as the presence of an excess number. Absence may be occasioned by the maintenance of a "kitty" or other unauthorized methods.

BALANCING AND POSTING

1. ARE ALL DETAIL RECORDS LISTED MONTHLY AND BALANCED TO THE SUBSIDIARY CONTROLS AND THE GENERAL LEDGER? L-T

MANUAL SYSTEM

Quarterly, the Local Auditor should recap the trial balance tapes run by the Installment Loan Department to determine that they are in agreement with the general ledger. Corrections and changes in the listings should be verified at the same time. It is very important that the same person does not run the same section of the ledger more than one month in succession, and the Local Auditor must determine this each time he checks the tapes. The individual balancing each classification should sign or clearly initial each tape so that the Auditor can keep a running record of the rotation from month to month. The Local Auditor should place his audit stamp and initial on each tape.

In addition to checking the department's trial balance tapes, the Local Auditor, on a quarterly frequency, should actually balance one or more classifications selected on a random basis. The number of classifications selected would depend on the size of the operation. In the smaller operations, he should cover all accounts. Also, 5% of the accounts in these classifications should be verified on a positive basis with the customer. The Local Auditor's tapes and verifications should be kept for inspection by the Traveling Auditors.

The Local Auditor should keep a running record of all over and short entries in connection with the department's balancing, and the General Auditor should include a schedule of all such entries since last audit in his audit report together with any controls that are still out of balance.

AUTOMATED SYSTEM

Installment Loan Control or Installment personnel should reconcile computer totals to the general ledger daily. The Local Auditor should review these balancing sheets at least quarterly and actually reconcile the computer totals to general ledger during his review.

2. ARE ALL PAYMENTS AND CONTROLS POSTED PROMPTLY, AND IS THE TELLER AND POSTING OPERATION SEPARATED? L

MANUAL SYSTEM

When the Local Auditor is performing other work in the department, he should determine whether or not payments are being posted promptly. Any delay beyond the day after payments were made should be investigated and an explanation requested. A written report of any such occurrences should be made to the General Auditor. Also, it is important for the Local Auditor to determine that the tellers are always separated from the posting operation.

2. ARE ALL PAYMENTS AND CONTROLS POSTED PROMPTLY, AND IS THE TELLER AND POSTING OPERATION SEPARATED? L (Continued)

AUTOMATED SYSTEM

No later than the following business day, entry should be made to the general ledger account for all payments posted. In banks using the Suspense account, each day the ILD Individual-Suspense balance for the previous day should be reversed, and each payment included the prior day should be cleared. Exceptions uncovered when reconciling computer totals to general ledger should be reported.

EITHER SYSTEM

Customer disputes over the dates payments were paid should be reported to the Local Auditor immediately.

3. ARE PROPER EFFORTS MADE TO LOCATE OVERAGES AND SHORTAGES? L

The Local Auditor should satisfy himself that adequate efforts are being made to locate all overages and shortages. All differences over $100.00, and customer disputes over payments or balances should be reported to the Local Auditor the day they occur.

4. ARE CORRECTIONS TO LEDGER CARD POSTINGS MADE BY REVERSING ENTRIES RATHER THAN ERASURES OR ELIMINATION OF THE ORIGINAL INCORRECT ENTRY? L

MANUAL SYSTEM

The only acceptable method of making a correction to a ledger card posting is that of making a reversing and correcting entry. The Local Auditor should determine if this is being done properly in the course of his routine handling of the ledger card records. No erasures should appear on a ledger card. A debit ticket should be made explaining the correction. This ticket should be posted as a short payment, and the ledger card marked "POSTED IN ERROR" so that the error in posting will not be confused with a short payment resulting from a returned check.

AUTOMATED SYSTEM

Monthly, the Auditor, EDP, Atlanta, will compare the master file for the current month against the prior month master file and print double labels on address changes and a list of changes showing old name and address and new name and address, and in addition, if the new balance increases, old balance and new balance. This information will be forwarded to each of the Local Auditors so that he can verify address changes or determine the cause of the increased balance by using the date of last activity, shown on the print-out, in looking up the necessary tickets.

BALANCING AND POSTING (Continued)

5. ARE RETURN ITEMS "REVERSED" ON THE LOAN RECORDS PROMPTLY? L

Any returned checks or other payments that cannot be cleared within 24 hours should be debited back to the loan as outlined in the Operating Bulletin. The Local Auditor should check this operation and question personnel during the course of his continuous audits. Where no exceptions have been located, the Local Auditor's record should indicate the dates on which this work was performed.

6. ARE UNUSED RETURN ITEMS PROPERLY VOIDED AND FILED? L

MANUAL SYSTEM

During his periodic thumbing operations, the Local Auditor should pull a representative number of ledger cards on which payments have been re-instated because of returned checks since his last audit. If the re-instated payments have not been paid, the returned checks should be attached to the ledger cards. If the re-instated payments have been paid, there should be no returned checks attached to the ledgers, and the Local Auditors should review the collection folders to determine that any returned checks, covering payments subsequently paid by other means, have been properly voided and placed in file.

AUTOMATED SYSTEM

The monthly address change print-out will list all loans which have had payments reinstated during the month. The Local Auditor should determine during his quarterly audits that checks covering reinstated payments have been voided and filed in the customer's folder.

7. IS THE NEW LOAN LOG COMPARED TO THE FILE MAINTENANCE REPORT DAILY? L

Quarterly, the Local Auditor should determine that Installment personnel are comparing the New Loan Log against the File Maintenance Report daily, and that differences are promptly corrected.

8. ARE EXCEPTIONS SHOWN ON THE ACTION REPORT CORRECTED PROMPTLY? L

Exceptions shown on the Action Report will appear only one time, and prompt corrective action should be taken. Quarterly, the Local Auditor should review the Action Reports for at least one week, and by checking subsequent computer records, determine that action was taken. The employee responsible for adjusting items shown on the Action Report should not make entries pertaining to balance increases for insurance coverage.

DEALER RESERVES

1. HAS THE TOTAL OF THE DEALER RESERVE STATEMENTS MAILED TO DEALERS BEEN BALANCED TO THE GENERAL LEDGER SEMI-ANNUALLY, AND DOES THE DETAIL UNDER EACH DEALER CHECKED AGREE WITH THE RESPECTIVE STATEMENTS? L

   At least twice each year, the Local Auditor should list the original dealer reserve statements which he receives each month and balance the total with the general ledger. If on a manual system, he should then select 10% of all dealer reserve accounts and balance the permanent reserve cards to the statements.

2. ARE DEALER RESERVES VERIFIED ON A SEMI-ANNUAL BASIS? L

   All dealer reserve statements should be delivered to the Local Auditor each month for mailing. This permits the Auditor to select a time to perform the work without the knowledge of the department. Semi-annually (not the same months each year), he should balance the total to the general ledger and verify by negative verification all dealer reserve accounts. This verification may be incorporated in the work in #1 above. The Local Auditor must not delay the mailing of these statements. They should be mailed on the same day received.

3. ARE MONTHLY STATEMENTS OF DEALER RESERVES SUBMITTED TO ALL DEALERS REGARDLESS OF ACTIVITY ON ACCOUNTS? L

   Since the statements are delivered to the Local Auditor monthly for mailing, any exceptions will be obvious at the time the Local Auditor balances the total to the general ledger. Statements should be rendered to all dealers without exception, and failure to do so should be reported.

4. ARE PROPER EFFORTS MADE TO DISPOSE OF DEALERS RESERVE ACCOUNTS WHEN ALL CONTRACTS ARE PAID OUT? L

   The Local Auditor, when auditing dealer reserve statements, should also determine whether or not there are any inactive accounts where all contracts have been paid that have not been remitted to the respective dealers. If not paid immediately, it is most important that the balances be transferred to dormant checking accounts and subsequent disposition of the funds verified. Copies of the reserve statements will reveal absence of activity.

5. ARE DEBITS TO DEALER RESERVE ACCOUNTS PROPER, AND HAS A PERCENTAGE OF THE DEBITS BEEN TRACED? L

   Debits are made to dealer loss reserve accounts for rebates of reserve to customers, payment of earned reserve to dealers, commissions on C&S agency insurance if policies are cancelled within 60 days of issue date, and for the cancellation of reserve on a contract being repurchased by a dealer. The two times a year the Local Auditor balances the reserve statements, he should, at that time, trace the debits from the general ledger to the related accounts to determine whether proper or not. The Local Auditor's record should indicate dates audited, number of debits checked and exceptions, if any.

DELINQUENTS AND EXTENDED ACCOUNTS

1. ARE PAST DUE LOANS VERIFIED BY THE LOCAL AUDITOR? L

At least 5% of the loans past due 15 days or more must be verified by the Local Auditor each quarter. The Auditor, E.D.P., in Atlanta, will send printed verifications, and a print-out for follow-up, on any of the banks whose installment loan accounting is done on the computer.

2. ARE ALL ACCOUNTS ON WHICH PAYMENTS ARE DELINQUENT IN EXCESS OF AUTOMATIC NOTICE PERIOD IN THE HANDS OF THE COLLECTION DEPARTMENT? L

MANUAL SYSTEM

Quarterly, the Local Auditor should review one-fourth of the current ledger cards to be sure that no past due cards are in the current file. All accounts found in the current trays which should have been in the hands of the Collection Department should be verified by the Local Auditor direct with the customer. One hundred percent (100%) return must be obtained on these accounts. At least every 30 days, all ledger cards should be checked by the department for past due "sleepers". The Local Auditor should keep a record of all exceptions showing all pertinent information.

AUTOMATED SYSTEM

The Local Auditor should determine that collection cards were produced for all accounts listed on the print-out of verifications sent on past due loans, and that these cards are in the hands of the Collection Department. Verification of accounts on which there is no collection card in file must be followed for 100% return. Also, Installment personnel should be questioned to see if they are checking the past due list against collection cards monthly.

3. ARE ALL LATE CHARGES AND LATE CHARGES ONLY CREDITED TO SERVICE CHARGES ON LOANS? L

MANUAL SYSTEM

Quarterly, the Local Auditor should verify at least one day's work to be sure that all late charges collected on that day have been credited to Service Charges on Installment Loans. This should be done by reviewing the coupons and reconciling the amount of late charges as indicated on the coupons against the entries to the general ledger. In addition to being sure that all charges have been credited, the Local Auditor should also be sure that no extension fees or other miscellaneous charges have been included in the entries to this general ledger account.

AUTOMATED SYSTEM

Quarterly, the Local Auditor should select two weekly periods, not consecutive, and trace all late charges as shown on the Daily Transaction Journal to Service Charges on Installment Loans on general ledger. Larger debits to the late charges account should be reviewed to see that the offsetting credits are proper. The File Maintenance Lists and input documents should be reviewed for excessive waivers of late charges, which should be reported to management. After review, the lists and input items may be destroyed.

DELINQUENTS AND EXTENDED ACCOUNTS (Continued)

4. ARE THE BILLING AND COLLECTION OF LATE CHARGES SHOWN PROPERLY ON THE LEDGER CARDS? L (Applicable only to Manual System.)

In connection with the above verification of late charges collected, the Local Auditor should also check the posting of these late charges on the ledger cards and check the proper entry of the billing of these late charges on the ledger cards as outlined in the Installment Loan Department Operational Guide. When reviewing the payment coupons, it should be kept in mind that late charges due but unpaid should be recorded on the ledger cards for subsequent billing.

5. ARE CORRECT EXTENSION FEES COLLECTED ON ALL LOANS EXTENDED, AND ARE THEY CREDITED TO INTEREST AND DISCOUNT-INSTALLMENT LOANS? L-T

MANUAL SYSTEM

Each quarter when the Local Auditor thumbs the ledger cards and at the time verification of late charges is made, he should also verify the correctness of all extension fees in that particular work. In addition to this verification of fee computations, the Local Auditor should check a small percentage of ledger cards (about 25% normally) on accounts which have been extended and verify the collection of the fees to the extent of checking them through the bank's general ledger. The general rule on collection of extension fees is to collect 1% of the unpaid balance for each 30-day period that the account is extended. All extension fees should be credited to Interest and Discount-Installment Loans. The Local Auditor should maintain a record by classification of the number of extensions granted together with any exceptions noted so the General Auditor can review the file from a standpoint of audit coverage.

AUTOMATED SYSTEM

Monthly, the Local Auditor should review the monthly Accrual and Exception Report for each of his banks for the dollar amounts of current extension fees, which will be shown under the column "Disc on New Loans and Changes This Month". An amount followed by an "E" will be the extensions collected during the month. By using the loan number and video, the Local Auditor can determine the balance of each loan extended, apply the 1% per month extended factor, and check the computation of extensions. Normally, 25% of the extension fees recomputed should be traced to Interest and Discount-Installment Loans. This 25% should include the fees which will be verified with the customers. To locate accounts extended with no fee paid, look on the Accrual and Exception Report under the heading "This Month" column, "Adjustment to Accrual" for an amount followed by a minus (-) sign. If the extension column shows the account has been extended, and there is no amount followed by an "E" under the "Disc. on New Loans & Changes This Mo*" column, probably no fee was collected, and the file should be checked.

DELINQUENTS AND EXTENDED ACCOUNTS (Continued)

6. ARE EXTENSION FEES PROPERLY RECORDED? L

MANUAL SYSTEM

In reviewing the ledger cards for extension fees during his quarterly thumbing operation, the Local Auditor should appraise the manner in which these fees are recorded. The ledger cards should be marked to indicate the date of extension, the term of extension, the amount of extension fee paid, and should be initialed by a person authorized to grant the extension. Extensions should not be granted until the extension fee is paid, and extensions should be properly recorded on the ledger card without exception. The Local Auditor's record should indicate the number of instances extension fees were not recorded on the ledger cards and the total number of accounts extended in the classifications being audited.

AUTOMATED SYSTEM

Quarterly, when the Local Auditor receives his verifications, he will also receive a print-out which will show any loan extended, since the prior quarterly report, where the computer records do not reflect the extension. The reason for each exception should be determined, and unexplained exceptions should be verified with the borrowers. The computer file must be corrected to reflect the unauthorized exception in every instance.

7. HAVE OUTSTANDING ACCOUNTS ON WHICH EXTENSIONS HAVE BEEN GRANTED BEEN VERIFIED DIRECT WITH THE CUSTOMER BY THE AUDITOR? L

During his quarterly checking of extension fees, monthly on Automated System, the Local Auditor should verify direct with the customer a minimum of 10% of accounts on which extensions have been granted since the last audit. The verification letter should indicate the amount of the fee and date paid. Second and third requests should be sent if necessary. The fees verified should have been included in the fees traced to the general ledger.

8. ARE THE DEPARTMENTAL RECORDS ON PROFIT AND LOSS ACCOUNTS IN AGREEMENT WITH THE GENERAL LEDGER? L

The Recovery Department should balance "Collectible" charge-offs to the general ledger quarterly, and the "Non-Collectibles" semi-annually. Annually, the Local Auditor should review the departmental listing tapes, and then list and balance the records of the Recovery Department of each of his banks to the general ledger account "Loan Losses and Recoveries".

9. ARE OUTSTANDING CHARGE-OFFS BEING VERIFIED DIRECT WITH THE CUSTOMER? L

At the time the Local Auditor balances the Profit and Loss accounts with the general ledger, he should verify whatever percentage of these accounts he believes necessary direct with the customer. He should verify enough to provide a good test check coverage, and the important thing in this verification is that whatever percent is verified, the return must be 100%. This would require that he continue to follow those from which replies have not been received.

COLLATERAL

The following auditing procedure in connection with the checking of collateral should be applied by the Local Auditor on a quarterly basis, by reviewing loans made since the date of the last quarterly audit.

The Local Auditor should examine the notes and related papers on loans:

(a) in excess of $3,000.00 minimum or a less amount to be determined at the time of the audit (percent of coverage to be determined by the Local Auditor),

(b) made during a one-week period since the date of the prior quarterly audit, and

(c) secured by negotiable collateral and savings passbooks or certificates which must be held under dual control.

1. IS ALL COLLATERAL PROPERLY DESCRIBED ON THE NOTE OR SECURITY INSTRUMENT, AND IS THE COLLATERAL IN FILE? L

The Local Auditor, in verifying the existence of collateral, should check the note or security instrument to see that it contains an adequate description of all collateral so that positive identification can be made.

2. IS ALL NEGOTIABLE COLLATERAL UNDER DUAL CONTROL AND HOUSED IN THE VAULT OVERNIGHT? L

Adherence to the prescribed method of dual control over negotiable collateral should be ascertained by the Local Auditor each time he audits the department. Also, he should determine that adequate records of entries are maintained to substantiate dual control.

3. ARE SEPARATE STOCK POWERS OBTAINED FOR EACH CERTIFICATE OF STOCK OR REGISTERED BOND PLEDGED AS COLLATERAL, AND ARE THESE POWERS PROPERLY EXECUTED? L

At the time collateral is checked, the Local Auditor should determine that each certificate of stock or registered bond pledged as collateral is supported by a separate stock power, and that these powers are signed in the same manner that the stock or registered bond is issued and properly completed. The Assignee line and the statement of appointment on the lower half of the form should be left blank.

4. ON LOANS SECURED BY SAVINGS ACCOUNTS OR SAVINGS CERTIFICATES, HAVE PROPER NOTATIONS BEEN MADE ON THE SAVINGS RECORDS TO INDICATE THE ACCOUNTS ARE PLEDGED? L

All savings accounts and savings certificates that have been pledged as collateral should have sufficient information on the savings records or computer records to indicate the pledge so that the funds will be held. The Local Auditor should determine that savings accounts or savings certificates records have been flagged, and that there are acknowledged change of status cards in file for those accounts or certificates that are on the computer. On exceptions noted, the Auditor should determine whether each failure is due to the Loan Department, Savings Department, or Bond Control.

For savings accounts or certificates not on the computer or with other banks, there should be properly completed assignments and acknowledgements in file.

COLLATERAL (Continued)

5. IS THERE PROPER INSURANCE COVERAGE ON COLLATERAL HELD AS SECURITY? L

In reviewing loans secured by insurable collateral, the Local Auditor should be certain that the collateral is protected with insurance and that the original insurance policy, an acceptable binder, a signed copy, or a letter of acknowledgement of insurance coverage properly completed and signed by the agent is in the possession of the Installment Loan Department. Evidence of insurance coverage should be checked by expiration date, adequacy of amount, type of coverage, description of property insured and loss payable clause. In addition to reviewing insurance coverage on real estate loans made since last audit, the Local Auditor should spot check insurance coverage on at least 10% of other real estate loans. In the smaller offices, a larger percent would be desirable. Through observation when making periodic reviews, the Local Auditor should determine that the Installment Loan Department's special endorsement stamp is being used on checks issued to agents for insurance coverage.

6. ARE ALL WAIVERS OF INSURANCE INDICATED ON THE DISCOUNT SHEET? L

When examining the collateral on loans, the Local Auditor should be sure that where there is no insurance, the discount sheet is so marked. The circling of (N) in answer to the question "Outside Coverage Required" would constitute a waiver. Normally, waivers of insurance would be the exception rather than the rule. With this in mind, if the Auditor should find an exceptionally large number of waivers, he should discuss them with management, and prepare an Exception Report.

7. IS THE COLLATERAL FOLLOW-UP PROCEDURE OPERATED PROPERLY? L

During the course of each of his audits, the Local Auditor should review the department's follow-up procedure. This includes all pertinent papers as well as insurance. In the course of checking the collateral, notations should be made of evidence of insurance coverage which expires prior to the final maturity of the related note. These notations should be cross-checked with the collateral follow-up file to determine if a follow-up tickler is on hand for each item. The Local Auditor should keep a record of all exceptions located.

8. ARE WRITTEN APPRAISALS IN FILE COVERING ALL USED CAR LOANS AND LOANS SECURED BY OTHER TYPES OF COLLATERAL WHERE CONDITION OF EQUIPMENT IS A FACTOR IN DETERMINING VALUE? L

In checking the collateral, the Local Auditor should be sure that wherever necessary, a written appraisal complete in every detail has been obtained on the merchandise financed. The greatest majority of these cases will be loans secured by used automobiles. However, there will be other instances in addition to used car loans which require written appraisals. If appraisal or inspection is waived, a logical reason should appear on the discount sheet, and the letter (N) in answer to the question "Appraisal Needed" should be circled.

COLLATERAL (Continued)

9. IS THERE EVIDENCE OF DISBURSEMENT OF THE PROCEEDS OF EACH LOAN REVIEWED FILED IN THE CREDIT COLLECTION FOLDER? L

The Local Auditor, in reviewing the credit collection folders, should also look for evidence of disbursement of the proceeds of each loan. This will be in the form of copies of official checks or deposit tickets, indications showing that the loan was refinanced, or notations as to the account and account number to which the proceeds were credited.

10. IS THE PROPER TYPE OF INSTRUMENT, PROPERLY EXECUTED, BEING USED ON ALL CLASSES OF LOANS? L

In reviewing the notes and checking the collateral for various purposes, the Local Auditor should also look at the type of instrument used and satisfy himself that the proper type has been used on each loan and that each note has been properly executed, including assignment.

11. ARE ALL PARTIES EXECUTING NOTES AND OTHER SECURITY INSTRUMENTS AUTHORIZED TO DO SO? L

This question has particular reference to powers of attorney, corporate resolutions and other authorizations whereby one party signs for another party or for a corporation. In checking the collateral and notes, the Local Auditor should verify the existence of proper authorizations for the execution of a representative number of instruments held by the bank in connection with these notes. The easiest way to do this is to make notations while going through the notes and security instruments -- then check this information against the resolutions or other files.

12. ARE STANDARD PRINTED FORMS OR APPROVED CONTRACTS AND NOTES USED? L

Our own forms have been reviewed by our attorneys and are kept up-to-date through periodic review. Where other forms are used, the Installment Loan Department records should show that such forms have been approved by our attorneys. The Local Auditor should check this at the time of their quarterly audits.

13. ARE FINANCING STATEMENTS FILED OR OTHER SUPPORTING PAPERS RECORDED WHEN NECESSARY? L

The bank's policy with respect to the filing or recordation of instruments is that all instruments securing loans should be filed or recorded except as outlined in the current Installment Loan Department Operational Guide. The Local Auditor should familiarize himself with these instructions so that he will be able to detect exceptions when checking collateral.

14. ARE LOANS SECURED BY LISTED OR UNLISTED SECURITIES SUPPORTED BY REGULATION "U" CERTIFICATES? L

There should be a certificate in file to support each loan secured by listed or unlisted securities. This certificate should be signed by the borrower, fully completed in every respect, particularly as to the purpose of the loan, and signed by the accepting officer. The Local Auditor should determine that a properly executed certificate is in file at the time he checks the negotiable collateral. There must be a separate note and executed certificate in file for each loan made for the purpose of purchasing or carrying securities convertible into registered stocks. These certificates must be retained by the bank for at least three years after the loan is paid out, which can be accomplished by attaching the Regulation "U" Certificates to the collateral record cards, which will be held for 10 years as the receipt for collateral released.

15. ARE OFFICERS' CERTIFICATES AND ATTORNEYS' OPINIONS OR TITLE CERTIFICATES AND RECORDED DEEDS BEING OBTAINED ON REAL ESTATE LOANS? L

In making his quarterly audit of the Installment Loan Department, the Local Auditor should review all Real Estate loans made since the prior audit and apply the various questions, account for all instruments and determine that all requirements are met. On real estate loans, this includes Appraisal Certificates, Attorneys' Opinions or Title Certificates, and Recorded Deeds.

16. ARE LOANS SECURED BY READILY MARKETABLE COLLATERAL PROPERLY MARGINED? L

Loans secured by readily marketable collateral should be margined in accordance with the bank's policy. In checking these type loans, the Local Auditor should determine the value of collateral where possible to be sure that the loans are properly margined. A record of exceptions should be kept and these exceptions brought to the attention of management in order that they may take appropriate action.

17. IS THE BANK'S SECURITY INTEREST IN COLLATERAL SUBJECT TO THE GEORGIA MOTOR VEHICLE CERTIFICATE OF TITLE ACT BEING PERFECTED? L

In checking loans covered under the Title Act, a Title Certificate must be obtained on each showing the bank as first security interest holder.

(1) A copy of the Certificate should be in the customer's folder correctly identifying the customer, the vehicle, and the security interest holder -- or

(2) A collateral card (19-984) must be in the collateral follow-up file covering recently handled transactions on which the Title Certificates have not been received.

1962 and older model motor vehicles and mobile homes must either be supported by a validated copy of the T-3 Central Filing Form; a collateral follow-up card should be in file, or the filing of the T-3 should be waived and initialed.

COLLATERAL (Continued)

18. ARE TRANSFERS OF EQUITY PROPERLY HANDLED? L

MANUAL SYSTEM

While conducting the quarterly audit, the Local Auditor should watch for ledger cards for secured loans where equity in the collateral has been transferred. Any such transactions occurring since the date of the prior quarterly review should be checked to determine that the transfer forms were properly completed and retained in file in accordance with Regulation "Z", and that a transfer charge ($25.00 on automobiles, airplanes, farm equipment and property improvement; and $15.00 on all others) was collected and credited to Interest and Discount-Installment Loans. Audit exception reports should be prepared if the transfer of equity form was not properly completed or if the transfer fee was not collected and credited, unless the fee was waived by an authorized individual. Insurance coverage, where required, should be checked to be sure that the collateral is properly covered in the name of the new owner. The insurance statement should be completed as required under Regulation "Z".

AUTOMATED SYSTEM

On an automated system, the monthly "New Loan Report" should be used to determine loans with a "Source Code" of 6, which indicates transfers of equity. These loan files should be pulled and checked as outlined above.

19. WHEN CUSTOMERS HAVE TWO OR MORE LOANS SECURED BY THE SAME COLLATERAL, IS EACH NOTE MARKED TO INDICATE THIS FACT? L

The Local Auditor should determine where customers have two or more loans secured by the same collateral that each note is marked "PATL", "PLEDGED AGAINST TOTAL LIABILITY", or in some other manner to indicate that the collateral secures more than one loan. Failure to make some notation on each note might result in premature release of collateral and should be reported as an audit exception.

20. ARE NOTES SECURED BY ASSIGNED LIFE INSURANCE SUPPORTED BY ADEQUATE INFORMATION FROM WHICH THE VALUE CAN BE DETERMINED? L

All assigned life insurance should have sufficient current data furnished by the insurance company to determine the value of policies pledged and the current status of these policies, indicating cash value, accrued dividends, automatic premium clauses, disposition of dividends, dates thru which premiums are paid, etc.. The Local Auditor should ascertain that the bank is obtaining this information.

SALES FINANCE

1. ON SALES FINANCE PAPER, ARE CONTRACTS ASSIGNED TO THE BANK IN ACCORDANCE WITH CURRENT AGREEMENTS WITH THE DEALERS? L

Normally, the majority of Sales Finance paper is discounted under an agreement that permits a non-recourse assignment. If no written agreement exists, notes and contracts should be endorsed as called for in the arrangement with the dealer. At the time collateral is checked, the Local Auditor should spot check Sales Finance contracts of dealers in the sections audited by comparing contracts against dealer agreements.

2. ARE PAYMENTS ON SALES FINANCE PAPER CODED AS TO THE SOURCE OF PAYMENT AT THE TIME THE RETAIL POSTING IS MADE? L

(APPLICABLE ONLY TO MANUAL SYSTEM.)

The Sales Finance ledger cards included in the Local Auditor's quarterly audits should be reviewed at that time to determine that all payments are coded according to source of payment. If any payments are found not marked, the Auditor should determine whether the teller or the posting clerk is at fault. As a check on teller performance, remittances should be checked against coupons during the audit and at times when teller cash is being audited. The posting operation should be checked by checking a day's coupons against the ledger card markings, and the easiest time to do this is after the clerk has posted and before the cards are released to the files, but it is important to remember that the posting clerk must have no forewarning.

3. HAS RETAIL BANKING BALANCED ALL SALES FINANCE MEMO ACCOUNTS MONTHLY? L
(APPLIES ONLY TO ATLANTA LOCAL AUDITOR.)

Quarterly, the Atlanta Local Auditor will review the records of Retail Banking to be certain they are determining that all balances in various S.F. "Memo" accounts on general ledgers of C&S National offices are offset by balances in the same accounts on the general ledger of National System Undistributed. At least semi-annually, Atlanta Local Auditing will actually perform the offsetting of the various memo accounts to see that they net out to zero.

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E- 1003

REPORTS

1. WAS THE DOLLAR AMOUNT OF LOANS OUTSTANDING AS SHOWN ON THE LAST REPORT OF OUTSTANDINGS AND PAST DUES REPORTED CORRECTLY BY LOAN CLASSIFICATION? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   Each Installment Loan Department maintains a control sheet on each class of loan showing the dollar amount outstanding. They also maintain a master control sheet showing dollar amount outstanding of all loan classes combined. Once each year, the Local Auditor should check these control figures against those shown on the last Report of Outstandings and Past Dues to make sure that they appear correctly on the report.

2. IS THE ANALYSIS OF PAST DUE ACCOUNTS BEING REPORTED CORRECTLY ON THE OUTSTANDING REPORT, DEALER CONDITION REPORT AND POTENTIAL LOSS REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   Annually, the Local Auditor should check the Report of Outstandings and Past Dues, the Dealer Condition Report and the Potential Loss Report to verify that all past due accounts have been shown correctly. A report of his findings should be made to the General Auditor upon completion of this check.

3. WERE ALL ACTIVE DEALERS LISTED ON LAST DEALER CONDITION REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   In conjunction with the work above, the Local Auditor should check the dealer purchase guide against the last dealer condition report to make sure that all dealers with retail outstandings over $10.0M, all dealers with wholesale activity and/or wholesale outstandings, and all dealers with accounts on the potential loss report are listed.

4. WERE RETAIL OUTSTANDINGS REPORTED CORRECTLY ON LAST DEALER CONDITION REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   As a part of the office's monthly balancing operation, dealer outstandings are listed separately. These tapes should be checked against the figures shown on the last dealer condition report. This check should be made by the Local Auditor in conjunction with the work above.

5. WERE RESERVES ENTERED CORRECTLY ON LAST DEALER CONDITION REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   Each dealer receives a statement monthly showing the balance of his dealer reserve and his dealer contingent reserve. The Local Auditor should compare the accounts shown on these statements with the latest dealer condition report when checking out the various statistical reports on an annual basis.

REPORTS (Continued)

6. WERE ALL DIRECT INSTALLMENT AND COMMERCIAL LOANS TO DEALERS REPORTED ON THE LAST DEALER CONDITION REPORT? L

Annually, and at the same time other statistical information is checked, the Local Auditor should check the dealer condition report against the alphabetical departmental file (wheeldex file) and the liability ledger of the Loan and Discount Department to determine that direct loans are reported. Determine date of the month that figures are secured and compare with same date on ledger card or liability ledger to see if correctly reported. Figures should be secured between 25th and 30th of reporting month and where possible, should be reported as of the same date each month. Any exceptions noted should be included in the Local Auditor's report to the General Auditor and others.

7. WERE THE WHOLESALE DEALER OUTSTANDINGS CORRECT ON THE LATEST DEALER CONDITION REPORT? L

Annually, the Local Auditor should compare the amounts shown on the latest dealer condition report with the control balance on each dealer's wholesale as of the date of the dealer condition report. Where the dealer has more than one class of wholesale outstanding, the detail must be checked to be sure that the report is correct. Any exceptions should be reported as previously stated.

8. HAS ALL WHOLESALE PAPER FINANCED OVER SIX MONTHS BEEN REPORTED CORRECTLY ON THE DEALER CONDITION REPORT? L

The Local Auditor should determine this by checking the wholesale ledger records against the dealer condition report at the same time he checks #7 above.

9. WERE CHARGE-OFFS ACCURATELY REPORTED ON THE LATEST "SUMMARY OF CHARGE-OFFS AND RECOVERIES BY BRANCH" REPORT? L

Semi-annually, the Local Auditor should compare the net of debit and credit entries to the "Reserve for Losses on Loans" for the preceding month against the "Summary of Charge-Offs and Recoveries by Branch" Report for the month. Any unreconcilable differences should be handled as audit exceptions.

ATLANTA ONLY - In addition, semi-annually, the Atlanta Local Auditor should determine that Retail Banking is balancing charge-off history sheets against general ledger debits each month.

10. WERE UNINSURED LOANS REPORTED ON THE POTENTIAL LOSS REPORT?

Loans secured by insurable collateral, which are not supported by adequate evidence of insurance within 30 days of the date of the loan, must be reported on the next Potential Loss Report if coverage is not received by the day the report is prepared.

WHOLESALE

1. IS THERE A NOTE AND SUPPORTING PAPERS IN THE FILE TO SUPPORT EACH WHOLESALE LEDGER CARD? L

Quarterly, the Local Auditor should check 10% to 15% of all wholesale ledger cards of each dealer to determine if there is a properly executed note, bill of sale, current invoice from the distributor or manufacturer, etc., in file to support each ledger card, checking the serial number on invoices against the security agreements.

2. ARE THE BANK'S POWERS OF ATTORNEY FROM DEALERS EXECUTED PROPERLY?

All powers of attorney from dealers authorizing the bank to execute notes in the names of dealers must be properly prepared and in the bank's possession The Local Auditor, after having accounted for the powers of attorney from all dealers on the books, should thereafter check for powers of attorney, properly prepared, on each new dealer signed. He should do this at the time he reviews the wholesale notes. In addition, once every two years, the Local Auditor should review powers of attorney from all dealers to make sure that none previously accounted for have been misplaced.

3. ARE WHOLESALE RECORDS POSTED PROMPTLY? L

All payments should be posted to the wholesale ledger records not later than the day after payments are received. The Local Auditor should determine from observation and questioning whether or not this procedure is being followed. This should be checked during the course of each of the Local Auditor's audits.

4. ARE ALL LOANS NOT INSURED BY THE BANK PROTECTED BY INSURANCE FURNISHED BY THE DEALER? L

Dealers who furnish their own insurance can be determined by checking the wholesale insurance reports. Semi-annually, the Local Auditor should determine these dealers -- then review the policies to see that the amount of insurance is sufficient to cover our outstandings, and that the coverage and expiration dates are in order.

5. ARE IRREGULARITIES NOTED ON INDIVIDUAL LEDGER SHEETS AND SUMMARIZED ON THE WHOLESALE CHECKING SUMMARY? L

Floorplan Checking Reports should be reviewed at least quarterly and verified against the wholesale ledgers to determine if irregularities found in checking are noted under the individual items, and exceptions are properly summarized on the Record of Wholesale Checking. The Local Auditor should review 25% of the dealers each quarter so that all of the dealers' checking reports and ledgers will be verified within the period of one year.

WHOLESALE (Continued)

6. DO DEALERS PAY WHOLESALE PROMPTLY AS MERCHANDISE IS SOLD? L-T

When reviewing Floorplan Checking Reports for irregularities (No. 5 above), the Local Auditor should also review the Record of Wholesale Checking for each dealer to determine that the information shown on the Record of Wholesale Checking has been transcribed accurately from the monthly checking reports. It is not necessary to check each Floorplan Checking Report for every dealer against the Record of Wholesale Checking, but the Local Auditor should satisfy himself that the information is being transcribed and reported accurately. Periodically, Central Installment will review the Record of Wholesale Checking to determine the amount of delay in paying for wholesale merchandise sold.

While reviewing the Record of Wholesale Checking for accuracy, the Local Auditor should note any dealer with habitual delays of six days or more in paying for wholesale sold, prepare an Auditor's Exception Report on the dealer to bring it to the attention of management, and disburse the copies of the Exception Report in the usual manner.

Annually, the traveling auditors will review the Record of Wholesale Checking for the previous quarter, and use the information shown to prepare the schedule "Dealer Delay in Paying for Wholesale Sold" for the annual report.

7. ARE STATEMENTS OF WHOLESALE INTEREST COMPUTED PROPERLY? L

Statements of wholesale interest are rendered to dealers through the 25th of each month. The person rendering these statements should compute the average daily balance of wholesale outstandings for the 30-day period preceding the billing date. The Local Auditor should review the file copies of interest statements covering one month on a semi-annual frequency. He should determine that all dealers have been billed, and verify computations on 25% of the statements.

8. IS WHOLESALE INTEREST PROPERLY CREDITED TO INTEREST AND DISCOUNT-INSTALLMENT LOANS-WHOLESALE? L

At the time interest computations are checked, the Local Auditor should trace all payments into the general ledger covering the month under audit. Any delinquencies should be noted and followed until payment is received -- then these payments must be traced into the general ledger. The Local Auditor should keep a record of the months checked together with any discrepancies found.

9. IS A FINANCING STATEMENT FILED ON EACH DEALER WITH WHOLESALE OUTSTANDING? L

A financing statement, not more than five years old, covering inventory should be filed on each dealer with wholesale outstandings.

WHOLESALE (Continued)

10. IS THERE AN ADEQUATE FOLLOW-UP SYSTEM FOR FILING CONTINUATION STATEMENTS? L

There should be a follow-up card in file for filing a continuation statement on each dealer for whom we floorplan. The continuation statement may be filed any time within six months prior to the expiration date of the current financing statement, which is five years from date of filing.

NOTES

1. IS THERE A NOTE IN FILE TO SUPPORT EACH RETAIL ACCOUNT? L

Each quarter when the Local Auditor checks collateral and other phases of the operation, he should determine that a minimum of 5% of the loans made since the last audit are supported by notes in file. Where any exceptions are located, the Local Auditor should send a positive verification letter to the borrower.

2. ARE NOTES FILED IN NUMERICAL ORDER IN A FIREPROOF CABINET? L

Through observation, the Local Auditor should determine that this is being done. In particular, the Local Auditor should watch for any changes in the housing equipment or revisions in the method of filing.

3. ARE PAID-IN-FULL NOTES REMOVED AND RETURNED TO THE CUSTOMER OR DEALER? L

From inspection of the note file, the Local Auditor can determine this, inasmuch as the notes are filed numerically, which automatically brings paid-out and unreturned notes to the front of the file. In addition, the Local Auditor should check paid loans on the Daily Transaction Journals for at least a one-week period to be sure that the paid notes have been pulled. This should be checked quarterly by the Local Auditor when he pulls notes for other purposes.

4. ARE ALL NOTES APPROVED BY AN INDIVIDUAL AUTHORIZED BY THE OFFICER IN CHARGE OF THE INSTALLMENT LOAN DEPARTMENT? L

The Local Auditor in reviewing both retail and wholesale notes for other purposes should at the same time check to see that each note is approved by an authorized individual. All exceptions should be brought to the attention of management.

5. ARE ALL PAPERS OTHER THAN THE NOTE ITSELF IN THE COLLECTION FOLDER OF THE ACCOUNT? L

During his review of the notes and collateral, the Local Auditor should pay particular attention to whether or not any other related documents are filed with the notes, rather than in the collateral file as they should be.

6. ARE ALL PROVISIONS OF REGULATION "Z" BEING COMPLIED WITH? L

Extensions of credit subject to the regulation are those of $25,000 or less, or if secured by real estate regardless of amount, which are primarily for personal, family, household, or agricultural purposes made to a person. Not subject to the regulation are extensions of credit to corporations, partnerships, trusts, governments, or loans for business or commercial purposes, other than agricultural purposes.

NOTES (Continued)

It is the responsibility of the Local Auditor to determine whether or not all disclosure requirements under the Consumer Credit Protection Act (Regulation "Z") are being met. The Local Auditor must be thoroughly familiar with all provisions of the Regulation, the prescribed procedures outlined in Operating Bulletins, and must determine compliance during the course of his periodic audits of loans. The following questions must be answered in determining whether or not there are any exceptions:

HAS THE "ANNUAL PERCENTAGE RATE" BEEN DISCLOSED IN EVERY INSTANCE?

In reviewing the notes, the Auditor should see that the annual percentage rate is disclosed in the space provided. If it was not, and 10 days have elapsed, no corrective action should be taken. He should question loan personnel as to whether the customer has received a copy of the note without exception. Through observation, the Auditor should ascertain that no customers' copies of notes are filed within the bank.

ARE ANNUAL PERCENTAGE RATE CALCULATIONS VERIFIED ON A TEST CHECK BASIS?

Using the charts developed for this purpose, the Auditor should verify computations on a representative number of loans being audited to determine accuracy. Accuracy must be to the nearest one-fourth of one percent. The amount of the finance charge and the annual percentage rate must be computed on a basis of one-half year maturity for demand loans. The annual percentage rate need not be disclosed where the charge does not exceed $5.00 on $75.00 or less, or $7.50 on an amount financed exceeding $75.00; however, in such instances, the "finance charge" must be disclosed.

ARE THE FINANCE CHARGE AND THE TOTAL OF PAYMENTS DISCLOSED IN ALL INSTANCES

In addition to the annual percentage rate, the Regulation requires that the finance charge and the total of payments be disclosed on all types of credits covered except real estate loans made to purchase a dwelling. If either was not, and 10 days have elapsed, no corrective action should be taken. All items of information which must be disclosed have been incorporated in our note and contract forms; therefore, the Auditor should determine that these spaces have been properly filled in.

ARE CHARGES THAT ARE NOT PART OF THE FINANCE CHARGE SPECIFICALLY ITEMIZED AND DISCLOSED?

There are certain charges which are outlined in our Operating Bulletins that may be excluded from the finance charge if they are specifically itemized and disclosed. In addition to charges for credit life insurance, disability insurance, and (SALES FINANCE) property insurance, charges included in the amount financed labeled "Other Charges" must be specified in order to qualify for exclusion as a part of the finance charge. The Auditor should make an exception of any omissions in this regard.

NOTES (Continued)

DO LOANS WHEREBY ADVANCES ARE MADE UNDER LOAN COMMITMENTS CONFORM TO THE REQUIREMENTS?

Where advances are made under commitments, if the bank has disclosed the necessary information, and if the customer has approved the information disclosed, disclosure need be made only once, at the time the agreement is extended. If the bank is electing to consider such transactions to be single transactions, it must estimate amount of disbursement and payment dates and disclose this information. These estimations should be reasonably accurate.

ARE THE TERMS "FINANCE CHARGE" AND "ANNUAL PERCENTAGE RATE" IN PRINT MORE CONSPICUOUS THAN OTHER REQUIRED DISCLOSURES?

The forms developed for use by our banks conform to this requirement; however, the Auditor should make sure that the standard forms are being used, or where forms are revised, he should make sure that they comply in this regard.

HAS THE BORROWER SIGNED IN THE SPACE PROVIDED TO SUPPORT HIS REQUEST FOR OR TO DECLINE CREDIT LIFE AND DISABILITY INSURANCE WHEN HE IS ELIGIBLE FOR THE COVERAGE?

When the borrower is not eligible for credit life or disability insurance, the block indicating this fact must be checked and the borrower need not sign. If the borrower requests credit life insurance (and disability insurance where applicable), the applicable block must be checked and the customer must sign in the space provided indicating his desire. The cost of insurance coverage must be disclosed on the face of the note on insured loans. While Regulation "Z" does not require the customer to sign when he declines this insurance, it is bank policy to have the customer sign to the effect that he has declined the insurance coverage. In order to exclude charges for credit life and disability insurance from the finance charge, these charges cannot be conditions of the loan and this fact must be clearly and conspicuously disclosed in writing to the customer. This information is disclosed in the printed forms which must be used. We must also disclose to the customer his right to obtain property insurance from a person of his choice acceptable to the lender. The Auditor's responsibility is to determine that the applicable blocks are checked, the customer signs separately in the space provided for this purpose, and the insurance cost is shown when the customer requests coverage.

ARE "STATEMENTS OF COST OF LOAN" COVERING REAL ESTATE LOANS PROPERLY COMPLETED IN ALL RESPECTS?

There are two statement of cost of loan forms, purchase and non-purchase. These forms incorporate all the necessary information to be disclosed in order to conform with the regulation. It is imperative that all applicable spaces be completed including the borrower's signature acknowledging receipt of a completed copy of the statement. In auditing the real estate loans, the Auditor must make sure that all of the required information is properly disclosed.

NOTES (Continued)

ARE TRANSFERS OF EQUITY OR LOAN ASSUMPTIONS HANDLED PROPERLY?

All required disclosures must be made to the new customer before he becomes obligated. The transfer of equity form has been revised for this purpose, and the Auditor should determine that a properly completed form signed by both the original borrower and the transferee is in file.

ARE EXTENSIONS OF INSTALLMENT LOAN PAYMENTS PROPERLY DISCLOSED TO THE CUSTOMER?

When a payment is extended and a fee is charged, the following must be disclosed to the customer: Amount extended; time period or date to which payment is extended; and the amount of fee charged. A properly completed "Notice of Extension" must be given to the customer, and a copy of this notice must be retained in the bank's files. In auditing extension fees, the Auditor should check to see if a properly completed form is in the credit folder.

ARE DEALERS MAKING THE PROPER DISCLOSURES ON SALES FINANCE CONTRACTS?

It is the bank's responsibility to determine that dealers are disclosing the required information on conditional sales contracts. In auditing the dealer paper, the Auditor should check for omissions and ascertain whether or not the department is checking the dealer paper adequately. Also, on sales finance property improvement loans, there must be a copy of the customer's right of rescission in the credit folder of the account.

HAS A NOTICE OF RIGHT TO RESCIND CERTAIN REAL PROPERTY TRANSACTIONS BEEN GIVEN TO THE BORROWER?

A customer may exercise his right to rescind any transaction in which a security or lien interest may attach to his residence or real property that is expected to be used as his residence. The customer may cancel the transaction without obligation within three business days after delivery of all disclosures. The customer must receive two copies of the notice of right to rescind, and the bank must retain in file the original notice signed by the customer acknowledging receipt of his two copies of the notice. A printed form using the exact wording required by Federal law has been designed for the bank's use, and no other form of notification may be used. The Auditor must make sure that a properly completed form is in file on applicable transactions.

HAS NO MONEY BEEN DISBURSED EXCEPT IN ESCROW DURING THE THREE-DAY RESCISSION PERIOD?

Under covered transactions, it is imperative that no money be disbursed until the rescission period has expired.

NOTES (Continued)

BEFORE DISBURSING ANY FUNDS, HAS THE BANK REASONABLY SATISFIED ITSELF THAT THE CUSTOMER HAS NOT RESCINDED?

The bank must maintain evidence of the bank's satisfaction that the customer has not exercised his right of rescission. The satisfaction must be obtained after the right of rescission period has expired. It is the bank's policy to require a written statement signed by the customer on all applicable SALES FINANCE paper. (A form is provided for this purpose.) On applicable over-the-counter loans, verification may be made by telephone supported by a dated memorandum signed by an authorized person to this effect, or by a statement signed by the customer, either delivered to the bank in person or received through the mail. A customer signed statement is preferable. The Auditor should look for evidence of compliance on a test check basis.

HAVE THE REQUIREMENTS FOR WAIVER OF THE RIGHT OF RESCISSION BEEN MET?

In cases of emergency, the customer may elect to waive his right of rescission. However, the waiver must be based on an emergency (for example, repair of roof resulting from a storm), and the waiver must be in the form of a separately dated and signed personal statement describing the situation requiring immediate remedy. Printed forms may not be used for this purpose.

IS EVIDENCE OF COMPLIANCE WITH THE REGULATION BEING MAINTAINED?

Evidence of compliance must be retained for two years after all disclosures are made. The disclosure copy of notes should be filed in chronological order, and all other disclosure copies should be filed in the credit folder. During the course of his auditing the loans, the Auditor should review the procedure and check for disclosure copies of notes covering specific transactions on a test check basis. Other disclosure copies should be accounted for when the collateral and credit folders are audited.

7. ARE LOAN CLASS CODES CORRECT? L

When reviewing installment notes, the Local Auditor should determine that each loan reviewed is classified correctly on the computer print-out.

8. ARE PROPER RATE CHARTS BEING USED?

Once each year, the Local Auditor should review the rate charts being used to see if they are the ones recommended in the Installment Lending Operating Guide. If not, an exception report should be submitted, and a recheck made on the next audit.

REBATES

1. ARE AMOUNTS OF REBATES CORRECT? L

The Local Auditor should spot check rebates and verify correctness of rebates granted on one day of each month (or more, depending upon volume and size of the office). In doing this, he will need to use the Standard Rebate Chart or computer records. On a manual system, he should review the respective paid-out ledger cards to determine whether or not rebates are correct in all respects. He should especially observe whether uncollected late charges have been deducted. The "Action Report" will show rebates paid for larger amounts than the computer calculations. The Local Auditor should place his audit stamp or mark on all tickets checked.

2. ARE INTEREST AND DISCOUNT AND DEALER RESERVE REBATES RECEIPTED FOR OR DUALLY APPROVED? L

As the Local Auditor reviews manually calculated rebate tickets each quarter, he should verify the fact that all manually calculated rebates are receipted for by the customer or dually approved by two parties. Further, if on a manual system, the Local Auditor should determine that each of the parties approving the rebate balanced the ledger card to rebate ticket and remittance. The Local Auditor should make sure that the second party actually does check the rebate and remittance to the ledger card, and verifies the original computation rather than merely initialing the tickets solely to meet the dual approval requirements. No exceptions should be permitted.

On an automated system, rebates will be checked by sending positive verifications of the net amount paid on 10% of the loans on which rebates were allowed since the last audit.

3. IS THE AMOUNT OF REBATE GIVEN TO EACH CUSTOMER RECORDED ON THE PAID-OUT RECORD? L

The amount of the rebate should, in all cases, be noted on the paid ledger card in the space provided on a manual system, and on the "Closed Loan Card" on an automated system. Any exceptions noted should be brought to the attention of management.

4. ARE REBATES MADE ON ALL ACCOUNTS WHERE UNEARNED INTEREST AMOUNTS TO $1.00 OR MORE? L

On a manual system, a review of the paid-out and unfiled ledger cards will reveal whether or not this is being done. The Local Auditor should observe this at the same time he checks ledger cards for recording of rebates. The Action Report will show rebates due on an automated system.

BANK LIABILITY REPOSSESSIONS

1. DOES THE CONDITION OF EACH REPOSSESSION ON HAND AGREE WITH THE APPRAISAL SHEET PREPARED AT THE TIME OF REPOSSESSION? L

   At the time the Local Auditor makes his quarterly audits of the Installment Loan Department, he should determine if there are any repossessions on hand. If so, he should physically inspect the repossession to see whether the appraisal sheet has been properly prepared.

2. HAS THE SALE OF EACH REPOSSESSION BEEN VERIFIED WITH THE PURCHASER? L

   Upon receipt of charge-off history sheets, the Central Installment Loan Department will prepare letters to verify the purchase price of repossessed collateral with the buyers. These letters will then be forwarded to the appropriate Local Auditor who will mail them out with an Auditing Department return envelope enclosed. As these letters are returned, the Local Auditor will compare them against the follow-up copies and immediately notify the General Auditor if any discrepancies are discovered. Verification letters will not be mailed on sales handled through the courts.

3. ARE REPOSSESSIONS PROPERLY COVERED BY INSURANCE? L

   With the exception of domestic appliances, repossessions are presumably covered by outside insurance policies. This insurance should remain in force until the repossessions have been disposed of and, to be valid, the insurance company must be notified by letter of the change of status in the account as soon as the repossession is made. Coverage failure insurance will suffice where the bank was originally protected by this insurance. If, because of cancellation or other reasons, there is no insurance in effect at the time of repossession, no outside insurance need be purchased. In these cases, the bank will self-insure for property damage. However, we must be sure that repossessed automobiles are covered under our liability policy for bodily injury. Also, reasonable care should be taken to protect the collateral from exposure to loss. The Local Auditor should determine from the files that the insurance has been properly handled.

4. ARE COMPETITIVE BIDS OBTAINED PRIOR TO SALE OF REPOSSESSIONS? L

   At the time the Local Auditor makes his quarterly audit of the Installment Loan Department, he should determine if any respossessions were sold since his last audit. If so, he should review each file pertaining to the repossession in order to determine that at least three competitive bids, in writing if possible, were obtained in order to establish reasonable value and in order to obtain the best price. The Potential Loss Report will assist in the review of repossessions sold.

5. WAS A WRITTEN NOTICE GIVEN TO THE CUSTOMER PRIOR TO SALE OF THE REPOSSESSION? L

   Written notice should be given to the customer of our intent to sell at least five days before the sale is made. The letter does not have to specify the date of the sale, but only our intent to sell after some specified date. The letter should also describe the goods, and the highest bid obtained.

6. ARE RECEIPTS AND "VOLUNTARY SURRENDER" LETTERS OBTAINED?

Quarterly, the Local Auditor should review the files of customers who have had collateral repossessed to be certain that a Receipt for Mortgaged Property and a "Voluntary Surrender" letter is obtained in each instance.

MISCELLANEOUS

1. ARE RETURNED COUPON BOOKS AND THOSE ADDRESSED IN CARE OF THE BANK REFERRED TO THE LOCAL AUDITOR FOR VERIFICATION? L

Returned coupon books should be sent direct to the Local Auditor who will fill out Form No. 7-289 as outlined in COG: 26.44. The original copy of the form will be forwarded with the coupon book and jacket to the Installment Loan Department of the appropriate office. The copy of the form will be retained for follow-up. The Installment Loan Department will determine the correct address on all returned coupon books, prepare change of address labels, affix the labels to the wallets, and return the coupon books and wallets to the Local Auditor for mailing. The Local Auditor should check these books and wallets against his follow-up copies of Form No. 7-289 to be sure all are received and mailed. Where addresses are changed for reasons other than typographical error or discount sheet not legible, the Local Auditor should hold his follow-up copy of Form 7-289 and review the loan at the time of his next Installment Loan Department audit. On accounts addressed in care of the bank, a physical or telephone verification should be made by the Local Auditor.

2. HAVE ALL ACCOUNTS ON WHICH FOUR OR MORE PAYMENTS HAVE BEEN MADE AT THE SAME TIME BEEN VERIFIED WITH THE CUSTOMER AND EXISTENCE OF COLLATERAL DETERMINED? L

Accounts paid in advance may indicate:

(1) Internal fraud.

(2) In the case of secured accounts or dealer paper, the disposition of our collateral with only part of the proceeds being paid to us.

(3) Accounts paid out except for rebate, but not closed out on our books.

MANUAL SYSTEM

As accounts are thumbed for sleepers quarterly by the Local Auditor, accounts with four or more payments paid in advance should be set aside for further handling. Verification letters should be sent out on 25% of these accounts as a check against internal fraud. For categories Two and Three, accounts should be discussed with the officer in charge of the Installment Loan Department to determine proper action. The Local Auditor should keep a follow-up file to be sure that action decided upon has been taken.

AUTOMATED SYSTEM

The Auditor, E.D.P., will print verifications quarterly on 25% of prepaid loans, and forward them to the appropriate Local Auditor for mailing.

MISCELLANEOUS (Continued)

3. IS THE UNEARNED INTEREST ACCOUNT ON THE GENERAL LEDGER IN AGREEMENT WITH THE RECORDS OF INSTALLMENT LOAN CONTROL?

Installment Loan Control should verify their records monthly with the Unearned Interest account on the general ledger. The Local Auditors, where applicable, should check these figures semi-annually.

4. HAS ALL TAX FREE INTEREST BEEN CREDITED TO THE PROPER ACCOUNT?

All loans made to state, county or municipal subdivisions, including school districts, either direct or through a dealer, should be plainly marked on the discount sheet in order that interest from this source will be credited to the TAX FREE account. The Local Auditor should ascertain that the correct procedure is being followed when he reviews the credit files and notes over $3,000.00. The Local Auditor should also question management regarding what loans of this nature are on the books--he could check to see that the interest from these loans is being properly credited.

5. ARE INSURANCE REPORTS COVERING ALL BLANKET INSURANCE POLICIES PROPERLY PREPARED, AND IS PREMIUM CORRECTLY COMPUTED?

MANUAL SYSTEM

The correct method of computing insurance premiums on blanket insurance policies (floorplanned automobile, floorplanned appliance, retail fire and theft, credit life and disability insurance) is covered in the Operating Guide. The Local Auditor should select the last insurance report on a semi-annual basis and check it out to see that the report is accurate in all respects. In doing this, he should also question responsible employees to determine that the prescribed procedures are fully understood.

AUTOMATED SYSTEM

The Local Auditor should check the debit to Unearned Discount against the computer record, and then determine that this amount was remitted to the insurance company or Atlanta.

6. ARE ALL BLANKET INSURANCE CLAIMS ON CREDIT LIFE AND DISABILITY INSURANCE IN ORDER?

The Local Auditor should determine that claim drafts issued are credited to the loan account of the insured. By using the copies of the drafts, 100 percent of death claims should be checked. At the same time, the proceeds of rebates of unearned finance charges, unearned disability insurance, and unearned fire and theft insurance (not credit life), should be traced to the estate of the insured on a spot-check basis. At least 25 percent of the disability claims should be checked, using draft copies. Associate Correspondent Banks generally do not issue their own claim checks for disability insurance, and the doctors' certificates supporting claims in such instances will be forwarded to Consumer Insurance Service here in Atlanta. In such situations, you may send the Atlanta Local Auditor the pertinent information on the loan, or a copy of your draft copy, and he will check the Consumer Insurance Service file for the certificate. If the office issues its own claim drafts (all National and Affiliate Banks, plus two Associate Correspondents), the doctor's certificate should be in file in the office. On claims checked, the customer's folder should be reviewed to be sure the loans were not fictitious or made in anticipation of claims being submitted. When checking for proper credit of a draft, the Local Auditor should also determine that the computer payment code indicates payment was made by life or disability insurance.

MISCELLANEOUS (Continued)

7. IS THE CORRECT AMOUNT OF UNEARNED INTEREST AND DISCOUNT CREDITED TO GENERAL LEDGER? L

Quarterly, the Local Auditor should trace unearned discount on all notes made during one week since the date of the prior audit from the notes to the discount sheets to general ledger.

8. HAS THE INCOME ON PARTICIPATIONS PURCHASED BEEN TRACED INTO THE INCOME ACCOUNT? L

At least quarterly, the Local Auditor should trace interest on participations purchased and determine that the correct amount is credited to "Interest and Discount-Indirect Collections".

IN ATLANTA ONLY, the Local Auditor will review the procedure for the computation of interest on participations sold to be certain that they are figured by one individual, recomputed by a second individual independently, and compared to be sure that the two amounts are in agreement. Any differences should be referred to management, who would determine the correct amount of the interest. The Local Auditor in Atlanta will review the amounts credited to the participating banks to see that they are proper and that they equal the amount charged as interest on participations sold. The Atlanta Local Auditor will verify all participations sold with the purchasing banks at least once every six months on a positive basis.

9. ARE LOANS VERIFIED BY THE LOCAL AUDITOR? L

MANUAL SYSTEM

During his quarterly audit of loans, the Local Auditor should verify at least 5% of the loans reviewed, in addition to "sleepers", extensions, and prepaid loans, on a positive basis. Ten percent (10%) of the loans verified, determined at the time verifications are typed, must be followed to a 100% conclusion.

AUTOMATED SYSTEM

Quarterly, the Auditor, E.D.P., will, without notification, send the Local Auditor printed verifications for each of his banks. These verifications will cover 5% of outstandings, plus 25% of loans prepaid four payments as of verification date. In addition, a print-out of all loans verified and second request printed verifications on 10% of the loans verified will be included. This 10% must be followed for 100% return.

MISCELLANEOUS (Continued)

10. ARE ITEMS SHOWN ON THE ERROR CONDITIONS REPORT REVIEWED AND CLEARED? L

Quarterly, the Local Auditor should determine, by questioning, if management in the Installment Loan Department is reviewing the Error Conditions Report each month. More important items, such as re-scheduling needed, balance less than available rebate, loan balance $5.00 or less, missing insurance codes, last transaction code indicated pay-off but balance remains, etc., should be cleared prior to the next monthly report being printed.

11. ARE MISCELLANEOUS DEBITS SHOWN ON THE ACCRUAL AND EXCEPTIONS REPORT PROPER? L

The Local Auditor should review miscellaneous adjustments to Unearned Interest and Discount as shown on the Accrual and Exceptions Report, and trace a percentage selected at random, plus the larger amounts, to determine that the credits are proper.

12. ARE ILD CASHIERS' CHECKS ISSUED IN NUMERICAL SEQUENCE, AND CREDITS TO OUTSTANDING OFFICIAL CHECKS PROCESSED THE SAME DAY? L

A daily credit to Official Checks Outstanding should be processed each day to offset all ILD Cashiers' checks issued since the previous day's closing. These checks should be issued in numerical sequence. Any check issued without the corresponding credit being processed the same day or issued out of sequence is an exception.

13. ARE CHARGES TO "MISC. EXPENSE-GENERAL-AUTO INSURANCE PARTICIPATION" PROPER? L

Quarterly, the Local Auditor should trace one week's debits to this expense account and determine that offsetting credits are made to the Dealer Contingent Reserve account.

14. ARE WRITTEN RECORDS OF INQUIRIES IN FILE AS REQUIRED BY THE FAIR CREDIT REPORTING ACT? L

Whenever information other than our own ledger experience is given on one of our customers in answer to a telephone inquiry, a written record of the inquiry should be placed in file. When making his periodic reviews, the Local Auditor should determine that this procedure is being followed.

15. ARE COPIES OF DECLINED APPLICATIONS RETAINED? L

Copies of all applications for credit which are declined should be retained in file for at least two years.

16. ARE REQUIRED COPIES OF CUSTOMER NOTIFICATIONS OR DISCLOSURES IN FILE? L

Whenever the bank requests an investigative consumer report on any consumer, the bank must notify the consumer of that fact not later than three days after the date on which the report was first requested. If the consumer requests in writing the nature and scope of the investigation being conducted, the disclosure should be made in writing not later than five days from the date on which the consumer request was received or such report was first requested, whichever is the later. When an application for credit is declined, a letter must be mailed to the applicant telling of the declination when the denial of credit was wholly or partly based on information from a reporting agency or information secured from some other source. A copy of this letter should be retained in file. If we approve credit, but deny credit life and/or disability insurance as a result of our investigation, we must comply with notification provisions of the Act.

C&S FINANCIAL CORPORATION

1. ARE PROMISSORY NOTES ISSUED IN NUMERICAL ORDER AND ACCOUNTED FOR BY THE LOCAL AUDITOR?

   Promissory notes are issued by the Money Management Department and by our New York Service Office. Each of the departments should issue notes in numerical order from their respective supplies. This should be checked during each quarterly audit.

2. ARE PROMISSORY NOTES VERIFIED QUARTERLY BY THE LOCAL AUDITOR?

   On a quarterly basis, at least ten percent of the notes should be verified with the purchaser using a "random" selection basis and positive verification forms.

3. ARE PAID PROMISSORY NOTES CANCELLED?

   Paid promissory notes should be cancelled and filed in numerical order. These notes should be checked on each quarterly audit and used by the Local Auditor in maintaining numerical control by marking his records to indicate that these notes have been paid.

4. ARE PROMISSORY NOTE PAYMENTS IN THE CORRECT AMOUNTS?

   Using a "random" selection of ten percent of the paid notes, the Local Auditor should determine that all notes were redeemed for the proper amounts and that disbursements were made to the proper entities.

5. ARE PROMISSORY NOTES OUTSTANDING BALANCED MONTHLY BY THE CORPORATION AND QUARTERLY BY THE LOCAL AUDITING DEPARTMENT?

   During each quarterly audit, the Local Auditor should review the balancing tapes where the Corporation has listed the promissory notes each month. At the time of the audit, the outstanding notes should actually be listed by Local Auditing personnel and reconciled to the General Ledger.

6. ARE BANK ACCOUNTS RECONCILED MONTHLY BY THE CORPORATION AND QUARTERLY BY THE LOCAL AUDITOR?

   The Central Accounting Section is responsible for reconciling all of the Corporation's checking accounts, including the operating accounts of the out-of-town branches. When reviewing the reconcilements, make sure that all outstanding items are being traced and that management is reviewing the reconcilements on a monthly basis.

7. ARE PARTICIPATIONS PURCHASED VERIFIED?

At the time of the quarterly audit, the Local Auditor should verify all current participations with the issuing agent.

8. ARE PARTICIPATIONS SOLD VERIFIED?

At the time of the quarterly audit, the Local Auditor should reconcile the Participations Sold account on the Corporation's General Ledger to the Participations Purchased account on the Bank's General Ledger.

9. ARE PARTICIPATIONS SOLD CERTIFICATES ISSUED MONTHLY?

On a quarterly basis, the Local Auditor should review the Financial Corporation's copies of participations sold certificates and determine that a participation certificate has been issued to the bank each month.

10. ARE THE CONTROLS FOR PARTICIPATIONS PURCHASED AND PARTICIPATIONS SOLD POSTED DAILY?

On a quarterly basis, the Local Auditor should review the controls on participations purchased and participations sold and determine that the controls are posted daily. When this review is made, the controls should be reconciled to the General Ledger.

11. IS INTEREST PAID ON PARTICIPATIONS SOLD DEBITED TO THE EXPENSE ACCOUNT IN THE CORRECT AMOUNT?

Semi-annually, the Local Auditor should trace the interest paid on participations sold from the Expense account to the final disbursement for one full month's activity.

12. IS INTEREST RECEIVED ON PARTICIPATIONS PURCHASED CREDITED TO THE "INCOME" ACCOUNT IN THE CORRECT AMOUNT?

Semi-annually, the Local Auditor should determine the amount of interest that should have been collected on participations purchased and trace this interest payment to the "Income" account for one full month's activity.

C&S FINANCIAL CORPORATION (Continued)

13. IS THERE A PARTICIPATION AGREEMENT BETWEEN THE BANK AND THE CORPORATION IN FILE?

On an annual basis, the Local Auditor should check the files and determine that there is a participation agreement between the Bank and the Corporation in file outlining the method that the daily purchases of participation will be handled.

14. ARE THE COMPUTER TOTALS ON LOANS BALANCED TO THE GENERAL LEDGER DAILY BY THE CORPORATION AND QUARTERLY BY THE LOCAL AUDITOR?

On a quarterly basis, the Local Auditor should review the daily Installment Loan journals and determine that the computer totals are being reconciled to the General Ledger daily. Local Auditing personnel should actually reconcile the computer totals to General Ledger for the day of the audit.

15. IS THERE PROPER SEPARATION OF DUTIES IN THE CENTRAL ACCOUNTING SECTION?

On a quarterly basis, the Local Auditor should, by observation and questioning, determine that a proper separation of duties is being maintained. Determine that the same individuals who make the entries to the Corporation's General Ledger and to the Bank's books do not reconcile the General Ledger accounts and Bank checking accounts.

16. ARE ALL ENTRIES POSTED TO THE GENERAL LEDGER "UNPOSTED SUSPENSE" ACCOUNT CORRECTED DAILY?

On a quarterly basis, the Local Auditor should review the Unposted Suspense account for two separate weeks in the quarter in order to determine that all entries posted to this account are cleared out the next day and that the entries have been made to the proper accounts.

17. IS THE CORRECT AMOUNT CHARGED TO MANAGEMENT FEES AND CREDITED TO THE BANK?

The Local Auditor should obtain the log where the management fee is figured by the Corporation, and trace this amount to the Corporation's Expense account. From the Expense account, trace item through the checking account to the Income account of the Bank's General Ledger. If an error is made in any of these entries, make a determination as to where the error occurred. If made in the Corporation, type exception to the Corporation; and if it occurs in the Bank, send exception to Commercial Banking.

CONSUMER CREDIT OPERATING GUIDE #_____

ASSIGNED ON: June 30, 1972

ASSIGNED TO: Justice Department

DX-311

BANK OR OFFICE: Atlanta

PLEASE FILE THIS AS THE FIRST PAGE IN SECTION I. EVERY SECTION INDEX CARRIES A FOOTNOTE REFERRING TO THIS PAGE.

☒ This C&S Consumer Credit Operating Guide has been assigned, by location, on a permanent basis. The Guide is up to date when it is assigned. The branch manager will see that it is kept in current condition.

☐ This C&S Consumer Credit Operating Guide has been assigned to you, for as long as you need it. You are responsible for keeping it in current condition. Please take it with you when you transfer. Be sure to notify Retail Banking immediately of your new address so that current bulletins can continue to reach you without delay.

USING YOUR GUIDE

This manual has been designed both as a training tool and a reference guide. It contains not only step-by-step illustrated procedures for Consumer Credit functions but also both C&S Consumer Credit policy and a great deal of the philosophy behind that policy. Its value, however, depends entirely upon its intelligent use. Newcomers to Consumer Credit will find that it provides answers to many questions of "how" and "why". "Old-hands" can use it as a ready-reference guide and refresher for the details of day-to-day operations.

SECTIONS

As with any new reference book, it is absolutely essential that you thoroughly familiarize yourself with the manner in which it is organized. The Guide is divided into eight functional sections:

I	Assignment, Memorandums & Correspondence	
II	Accounting and General Operations	Bulletins in these four sections usually apply to more than one lending segment (CAS,OTC,SF). Most apply to all three segments. Each sectional index now shows applicability.
III	Collections	
IV	Insurance	
V	Lending General	
VI	Over-The-Counter	
VII	Sales Finance	
VIII	CAS	This section contains ONLY those bulletins that have application to other lending segments. Other detailed C&S operating information is in the Procedure Handbook.

INDEXES

The first page of each section is a section index. All bulletins in each section are listed alphabetically by their subject headings, and by topics within a given subject heading. New indexes are published each January and July. They are double-spaced to allow insertion of new or revised bulletins recently issued. A column now shows area of applicability of the bulletins (CAS, OTC, SF) in sections II, III, IV, V.

At the end of each index a listing of bulletins deleted during the previous six months is given. [illegible] from Retail Banking.

BULLETINS

Bulletins are issued for all Consumer Credit Operating Guides from Retail Banking as they are developed or revised. You will always know whether one is new, or replaces another bulletin, or replaces only certain pages, by information appearing between the two lines just above the text of each bulletin. When revisions are made that affect only a moderate or small portion of a bulletin, marginal letters are frequently used to show where the change occurred. This will permit the reader to read only the change, without having to search through the entire bulletin to find the change. These marginal letters are very simple to remember - R, or REV means revised material. N or NEW means new material. D means deleted material.

Nearly all bulletins show, at the end, one or more related bulletins. This is on the increase because our business continues to become more complex. It still seems to be the best way so far to "tie it all together."

CONSUMER CREDIT TRAINING OUTLINE

This outline is available from Retail Banking on request. A large portion of it is based upon the Consumer Credit Operating Guide, and is in a sequence which will probably be of the most help to the new employee in a branch.

CONSUMER CREDIT OPERATING BULLETIN INDEX*

ACCOUNTING & GENERAL OPERATIONS II — 5-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
OTC,SF,CAS	BANK - BRANCH CODES		4/14/72 ~~8-09-70~~
SF	DEALER RESERVE	EARNED RESERVE LIST	8-01-69
OTC,SF,CAS	INTEREST INQUIRIES		12-28-70
OTC,SF,CAS	LOSSES	NON-COLLECTIBLE ACCOUNTS	10-24-69
OTC,SF	PAID-IN-FULL PROCEDURES		8-25-66
OTC,SF	PAYMENT SCHEDULE	CHANGES	12-01-70
OTC,SF	PAYMENTS	ADJUSTER & DEALER PROCEDURE	8-24-70
OTC,SF	PAYMENTS	CHARGE ACCOUNTS	8-21-57
OTC,SF	PAYMENTS	PAYMENT CARD BOOK	8-26-70
OTC,SF	PAYMENTS	SPECIAL HANDLING	9-10-70
OTC,SF	REBATES	EXPLANATION	9-01-67
SF	REBATES - DEALER RESERVE		9-01-67
OTC,SF	REBATES - INTEREST & DISCOUNT	PROCEDURES	12-27-71
OTC,SF,CAS	RECORD RETENTION		1-03-62
SF	REPORTS	DEALER CONDITION	1-03-62
SF	REPORTS	INDIRECT COLLECTION ACCOUNTS	1-03-62
OTC,SF	REPORTS	POTENTIAL LOSS	1-03-62
OTC,SF	REPORTS	STAT. SUMMARY - INDIVIDUAL	2-19-69
SF	WHOLESALE	CURTAILMENT BILLING	9-30-66
SF	WHOLESALE	INTEREST BILLING	12-08-58
SF	WHOLESALE	NEW LOANS	8-24-61

SEC. II Acctg. & Gen. Operations

*Information on how to use guide, indexes, and bulletins is on the pink page in Section I.

OPERATING BULLETIN

SECTION ACCOUNTING

SUBJECT BANK - BRANCH CODES

TOPIC

 Date 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

The following list is furnished as an aid in identifying and processing installment loan payments made at C&S locations other than the one carrying the account. It includes codes for Atlanta CAS - Liquidating Accounts, Atlanta Term Loan, and the C&S Financial Corporation in Atlanta, Savannah, Macon, Athens, Augusta, and Valdosta.

Any payment containing the computer system code may be processed with your payments if your bank is on the automated system. Payment coupons with the manual system code must be sent directly to the bank indicated including CAS-LA (with the exception of Atlanta.)

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL - ATLANTA AREA
52-01	1G	C&S Financial Corporation
01-01	1A	Marietta Street
01-02	1S	Bolton Road
01-03	11K	South Moreland
01-04	1E	Northside Parkway
01-05	1R	Roswell-East Andrews
01-06	11N	North Avenue
01-07	1T	Fulton Industrial
01-08	11M	Peachtree Battle
01-09	1N	Roswell Wieuca
01-10	1M	Capitol Area
01-12	1C	Mitchell Street
01-13	1B	Tenth Street
01-14	1D	Howell Mill
01-15	1E	Cascade Heights
01-16	1F	South Expressway
01-17	1H	Peachtree Palisades
01-18	1V	Ansley Mall
01-19	1J	Stewart Lakewood
01-20	11F	Lenox
01-21	11B	Moreland
01-22	11A	Northwest
01-23	11C	Peachtree
01-24	11H	Peachtree-Baker
01-25	11G	Broadview
01-26	11E	Campbellton Plaza
01-27	11J	Bankhead
01-28	11D	Buckhead
01-29	1P	Pershing Point

OPERATING BULLETIN

SECTION ACCOUNTING
SUBJECT BANK - BRANCH CODES
TOPIC
Page 2 of 5 **Date** 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL ATLANTA AREA
01-30	11R	Greenbriar
01-31	1U	Piedmont Cain
01-32		West End
01-33	11S	Perimeter-Jonesboro
01-34		Cheshire Square
01-36	11Q	Peyton Village
01-37		Electric Plaza
01-38		Ponce de Leon
01-40		Hurt Building
*01-42		Peachtree Fifth
*01-45		Camp Creek Pkwy
*01-48		Armour Park
*01-49		Perimeter Center
01-50		Decatur Square
01-70	13	Small Business/Term Loan
~~01-75~~ 15-01		CAS - Liquidating Accounts
01-96		Employee Loans
01-98		Educational Assistance
11-01		C&S Holding Company
12-01	12A	C&S Bank of East Point - Main Street
12-02	12B	C&S Bank of East Point - Cleveland
12-03		C&S Bank of East Point - North Springs
12-06		C&S Bank of East Point - College Park
14-01	14A	C&S Bank of Emory - Clairmont Road
14-02	14B	C&S Bank of Emory - Toco Hill
14-03	14C	C&S Bank of Emory - North DeKalb
16-01	16	C&S Bank of DeKalb - Avondale Estates
16-02	73	C&S Bank of DeKalb - Belvedere
18-01	116	C&S Bank of North Fulton
19-01	170	C&S Park National Bank
58-01	87	C&S Bank of Sandy Springs
62-01	88	C&S Bank of Chamblee - Chamblee Plaza
62-02	63	C&S Bank of Chamblee - Buford Highway
70-01		C&S Bank of Tucker
70-02		C&S Bank of Tucker - LaVista
		<u>SAVANNAH - OUTSIDE ATLANTA AREA</u>
52-02	2K	C&S Financial Corporation
02-01	2A	Bull Street
02-02	2B	Liberty Street

*Opening Soon

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL - OUTSIDE ATLANTA AREA
		SAVANNAH
02-03	2D	Southside
02-04	2F	Victory Drive
02-05	2G	DeRenne
02-06	2H	West Savannah
02-07	2J	DeSoto Hilton
02-09	2L	Islands
02-10		Garden City
02-11		Armstrong Plaza
		MACON
52-03	3G	C&S Financial Corporation
03-01	3A	Crystal Palace
03-02	3B	Ingleside
03-03	3C	City Bank
03-04	3D	Westgate
03-05	3F	Denmark Second
03-06	3E	Shurlington
03-07	3H	Riverside Office
		ATHENS
52-04		C&S Financial Corporation
04-01	4A	College Avenue
04-02	4B	Prince Avenue
04-03	4C	Beachwood Avenue
04-04		Gaines School
		AUGUSTA
52-05		C&S Financial Corporation
05-01	5A	Broad Street
05-02	5B	Medical Center
05-03	5C	Telfair
05-04	5D	Daniel Village
05-05	5E	13th Street Branch
05-07		Airport
05-08		Gordon Highway
05-09		Peach Orchard
05-10		Center West
05-11		Forest Hills

OPERATING BULLETIN

SECTION ACCOUNTING
SUBJECT BANK - BRANCH CODES
TOPIC
Page 4 of 5 **Date** 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL - OUTSIDE ATLANTA AREA
		VALDOSTA
52-06		C&S Financial Corporation
06-01	6A	Patterson
06-02	6B	Brookwood
06-03		Five Points
		AFFILIATES - OUTSIDE ATLANTA AREA
07-01	7	C&S Bank of Thomaston - North Center
07-02		C&S Bank of Thomaston - Northside
08-01	8	C&S Bank of Dublin - Main
08-02		C&S Bank of Dublin - East Dublin
09-01	9A	C&S Bank of Albany - Washington Street
09-02	9B	C&S Bank of Albany - Slappey Drive
09-03		C&S Bank of Albany - Marine Drive
09-04		C&S Bank of Albany - Northside
09-05		C&S Bank of Albany - South Slappey
10-01 10-02	10	C&S Bank of LaGrange - Commerce
13-01		C&S International - Miami
17-01	17	C&S Newnan Bank
		5% - OUTSIDE ATLANTA AREA
20-01	84	C&S Bank of Chatham Co., Savannah (merged with Savannah)
26-01	223	C&S Bank of Dalton
29-01		First State National Bank, Bainbridge
35-01		Bank of Woodstock
38-01	7	C&S Bank of Thomas County, Thomasville
40-01	221	C&S Bank of South DeKalb
48-01	213	The C&S Bank of Hart County, Hartwell
49-01 44-02	214	The C&S Bank of Milledgeville (20TC+30RE)
50-01	162	C&S Bank of Cobb Co., Austell - Mozley St.
50-02	103	C&S Bank of Cobb Co., Austell - Bankhead
50-05		C&S Bank of Cobb Co., Austell - North Four Lane Highway
51-01	77	The C&S Bank of Tifton - First St. Office
51-02	125	The C&S Bank of Tifton - Northside
56-01	70	C&S Bank of Colquitt County, Moultrie
57-01	147	Farmers & Merchants Bank, Fayetteville
59-01	94	C&S Bank of Rockdale, Conyers

HATCHER SQ. (82-TC + 32-RE)

E-1030

OPERATING BULLETIN

SECTION ACCOUNTING
SUBJECT BANK - BRANCH CODES
TOPIC
Page 5 of 5 · **Date** 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	5% - OUTSIDE ATLANTA AREA
60-01	76	The C&S Bank of Warner Robins - Watson Blvd.
60-02	205	The C&S Bank of Warner Robins - Williams Plz
61-01		The C&S Bank of Henry County, McDonough
64-01	207	C&S Bank of Clayton County
64-02	219	C&S Bank of Clayton County - Jonesboro Rd.
64-03		C&S Bank of Clayton County - So. Clayton
65-01	179	First State Bank of Stockbridge
66-01	120	The Cartersville Bank
68-01	188	C&S Bank of Springfield
71-01	162	C&S Bank of Richmond County (merged with Augusta)
72-01	101	Farmers and Merchants Bank of Senoia
74-01	59	C&S Bank of Jackson
79-01	199	C&S Bank of Gwinnett County - Main
79-02		C&S Bank of Gwinnett County - Norcross/ Tucker
87-01	68	National Bank of Monroe - Broad Street
87-02		National Bank of Monroe - Woodfield Plaza

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT DEALER RESERVE

TOPIC EARNED RESERVE LIST

 Date 8-1-69

NEW BULLETIN

For years we have kept Dealer Reserve and Dealer Contingent Reserve cards filed separately in "earned" and "unearned" grouping. Due to increased volume and the fact that we very seldom pay reserves on the basis of what reserves are earned, a revision in this procedure is necessary.

All dealer accounts should be reviewed to determine what percentage of reserve to outstanding should be held to protect the Bank from loss. These percentages will vary by class of paper and the quality of paper generated by the dealer. If the present percentage being maintained is adequate when paying the reserve on an "earned" basis, then you should establish that percentage.

Once these percentages have been determined, only the excess (now considered earned) over the required percentage will be paid at the agreed upon intervals.

When Dealer Reserve cards are received from Central Billing (monthly), they should be filed, by dealer, until a statement containing those entries has been rendered. The cards should then be filed for 60 days for statement verification only. After that period of time they may be destroyed.

Where a holdback is required on a specific transaction this reserve will be "contingent" reserve and these amounts should not be considered when computing the amount of reserve to be paid.

E- 1032

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT INTEREST INQUIRIES

TOPIC

 Date 12/28/70

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

This bulletin explains the use of the revised STATEMENT OF INTEREST and outlines standardized procedures for handling the requests through the use of the Interest Inquiry Request and Worksheet. It also ties in with our Personal Income Tax Service.

When a customer contacts one department and requests information, he expects that department to contact all other departments for information on additional loans he may have with the Bank. Consequently, it is important that we set up a routine procedure for consolidating this information and sending it to our customer upon his request. It is advisable to designate a department or one person to act as a clearing point where these requests can be routed and processed.

CUSTOMER SERVICE

All departments are requested to give one-day service on interest computation requests. This is the only way we can live up to what we tell our customers.

INFORMATION ALREADY PROVIDED TO CUSTOMER

1. Installment Loans made after conversion to the computer show interest amounts and computation information on the payment book name and address insert. (Exception: Irregular payment schedule loans require manual computation of interest.) Examples A and B show the front and back of the payment book name and address insert.
2. CAS interest is printed on the December statement (Example C).

EXAMPLE A

This book contains a card for each of your payments showing the amount and due date. When making payments by mail please forward your payment card to the address shown below. Send only the card for the payment you are making. Please use registered mail when you send cash.

C & S NATIONAL BANK
P. O. BOX 4,687
ATLANTA, GA. 30302

Payments may also be made to any teller when accompanied by this book. Protect your credit and avoid a late fee by making your payment on the due date. When contacting the bank about your loan, use the account number shown below.

Account Number

Year		Each intervening full year		Total
Tax Deductible Interest				
No. of Payments Due				

EXAMPLE B

Computation of Income Tax Deduction

For your convenience in preparing your income tax return, the interest charges for this loan are shown on the reverse side.

One method to determine the amount of interest paid each year is to divide the total interest amount by the total number of payments and multiply the result by the number of payments made during the year.

Example:

$48.00 Total Interest	÷	24 Total Number Payments	=	$2.00 Interest Per Payment	$2.00 Interest Per Payment	× 11 Payments Made During Yr.	= $22.00 Interest Paid During Yr.

The amounts of interest shown on the front by year were determined by this method but were based on the number of payments scheduled to be made each year. If the number of payments made is different from the number scheduled, the interest paid in any year should be calculated on the basis of the number of payments actually made.

If your loan is paid in full ahead of schedule, an adjustment should be made for any interest refunded. If "irregular schedule" is indicated on the front, the interest amount for any year may be calculated by the above or other appropriate method.

Consult your tax adviser or Internal Revenue for the most up-to-date information and advice regarding your tax return.

EXAMPLE C

Reach for your C&S Card

CHARGE ACCOUNT SERVICE

STATEMENT OF YOUR ACCOUNT

MAKE CHECKS PAYABLE TO THE CITIZENS AND SOUTHERN BANK

PLEASE RETURN YOUR PAYMENT CARD WITH YOUR CHECK

269345445	121470	00	00	00		00
00 +	=	00	00	00	00	00
		TOT ALLOWABLE INT 1.08			00	00

MRS A O GOLD
215 PONCE DE LEON AVE
ATLANTA GA
30307

THANK YOU FOR USING YOUR C&S CARD IN 1970. BEST WISHES FOR A HAPPY AND PROSPEROUS NEW YEAR.

E- 1034

TAKING THE REQUEST

Mail Requests: Fill in the information from your department on the Interest Inquiry Request and Worksheet. Forward it to the central person or department handling interest requests for your office. See example below. (Out-of-Atlanta offices can use this form if desired, substituting their address.)

INTEREST INQUIRY
REQUEST AND WORKSHEET

TO: _____ DATE: _____
OFFICE

PLEASE:

_____ MAIL INFORMATION DIRECTLY TO CUSTOMER ON STATEMENT OF INTEREST FORM WITH THE INCOME TAX SERVICE STUFFER.

_____ COMPLETE THE INTEREST FIGURES AND RETURN TO INTEREST INQUIRY DEPT.

_____

INTEREST INFORMATION ON:

_____ _____
CUSTOMER'S NAME DAYTIME TELEPHONE NUMBER

_____ _____
CURRENT STREET ADDRESS FORMER ADDRESS IF MOVED DURING YEAR

_____
CITY, STATE AND ZIP CODE

TYPE OF ACCOUNT: INTEREST AMOUNT FOR 1970:

1. LOAN & DISCOUNT _____ $_____
BRANCH LOCATION
2. CAS _____ $_____
CARD NUMBER
3. REAL ESTATE _____ $_____
OFFICE

TAXES PAID FROM ESCROW (IF APPLICABLE) $_____

4. TERM CREDIT _____ $_____
BRANCH & ACCOUNT NUMBER
5. COLLECTION ACCOUNT _____ $_____
TYPE & LOCATION
6. INSTALLMENT LOAN OR TERM CREDIT*:

OFFICE	ACCOUNT NUMBER	DATE OF LOAN	PAYMENTS		TOTAL INTEREST CHARGED
			TOTAL NUMBER	NUMBER PAYMENTS SCHEDULED FOR 1970	

NOTE: *ANY INTEREST INFORMATION NOT PROVIDED BY THE COMPUTER MUST BE MANUALLY COMPUTED BY THE PROCEDURE IN THE CONSUMER CREDIT OPERATING BULLETIN: ACCOUNTING & GENERAL OPERATIONS - INTEREST INQUIRIES.

E- 1035

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

Walk-In and Telephone Requests:

Automated locations - determine whether interest information desired is only CAS and/or Installment Loan. If so, mention that the information is already available to them in their payment card books and December statements. If they still want you to get it, follow steps below.

All locations -

1. Fill out the Interest Inquiry Request and Worksheet as completely as possible. Show customer's full name (not initials), current address, and his previous address if he has moved during the past year. If the customer volunteers information that he thinks may help us locate the loan (dealer name, endorser, co-signer, transferor), show it also. Get a telephone number where the customer can be contacted during the day. Be sure to mention our Personal Income Tax Service.
2. Forward the Worksheet to the person or department acting as a central clearing point (Interest Inquiry Department in Atlanta).
3. Interest Inquiry Department will forward requests for information to those departments that are not yet automated.
   They will secure information from the following sources for automated offices:
   a. CAS will be on a printout specifically for this purpose by yearend. All accounts on which there was any activity during the year will be on the printout. It is prepared during December, by cycle. It should be retained for the year.
   b. Installment Loans:
      Active Loans will be on a printout specifically for this purpose approximately January 10. It will be prepared for the Interest Inquiry Department for each city.
      Closed Loan interest will be shown on closed loan cards.

MANUAL PROCEDURE FOR INTEREST COMPUTATION

INSTALLMENT LOANS

In reporting "Payments - Number Paid", use the number paid during the calendar year for which the return is to apply, including prepayments. The information is to be reported on each loan the customer may have had in the Installment Loan Department during the year. The procedure as outlined is to be used regardless of the base rate that may have been charged to the customer.

1. Subtract "Interest and Discount" and "Dealer Reserve" from "Total Note" to determine the amount advanced. (Do not subtract contingent reserve.)

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

2. Multiply the amount advanced by the appropriate 6% per annum factor, depending upon the number of months in the contract; i.e., 8 months - 4%, 12 months - 6%, 18 months - 9%, 24 months - 12%, etc. This gives the amount of "Interest Charged" to report to the customer. (There may be a case where a rate was charged, including life insurance, etc., which is less than the 6% factor, such as a 5% rate. If the amount of interest shown on the ledger card is less than the amount determined by using the 6% factor, report to the customer the full amount shown on the ledger card.)
3. On prepaid accounts on which a rebate was allowed, recompute the rebate without deducting the "minimum handling charges"; then use the "interest charged" as determined by Step 2 above as the amount to which the rebate percentage applies. Subtract the amount of the adjusted rebate from the interest charged and report the net amount to the customer. For example, on a $1,000 loan for 24 months paid out in 4 months:

Interest at 6%	- $120.00
Rebate Factor	- .700
Adjusted Rebate	- 84.00
Net Interest	- $ 36.00

4. On irregular or seasonal loans, refer to the discount sheet and recompute, using the 6% factor applicable to the principal on each payment date. For example, on a $2,000 loan, repayable $1000 at the end of 12 months and $1000 at the end of 24 months, multiply $2000 (principal at second payment date) by 6%($60.00), giving a total interest charged of $180.00.
5. On single payment transactions, the interest should be computed on an 8% per annum factor for the appropriate number of months.

TIME OR DEMAND NOTE

On loans in Loan & Discount, the Comptroller's Department recommends that the interest be recomputed using the original base rate, exclusive of any minimum charges, base charges, or insurance charges. 8% is the maximum legal rate.

REAL ESTATE OR MORTGAGE NOTE

Most real estate or mortgage loans have an amortization schedule which accompanies each, and the total interest charged for the year can be obtained from this schedule. If on a real estate or mortgage loan an add-on rate was charged, then the interest must be recomputed in the same manner as on an installment loan (manual procedure).

COLLECTION NOTE

On notes for collection, report the total interest paid.

STATEMENT OF INTEREST

When all departments involved have furnished the necessary interest figures, Interest Inquiry will prepare the 19-896 Statement of Interest. It should be mailed in the 9-351 window envelope, along with a statement stuffer on our Personal Income Tax Service.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

C&S

STATEMENT OF INTEREST
FOR CALENDAR YEAR OF

Y

1. Installment Account(s)*

Account Number	Date	Total Number of Payments	Number of Payments Scheduled This Year	Total of Interest Charged
				$

2. Charge Account Service $
3. Time or Demand Note $
4. Real Estate or Mortgage Note $
5. Taxes Paid From Escrow Account (If Applicable) $
6. Collection Note $

*Example: To Calculate Interest On Installment Accounts:

Total of Interest Charged	÷	Total Number Of Payments	=	Interest Per Payment	×	Number of Payments Paid	=	Interest Paid During Year
$48.00		24		$2.00		11		$22.00

If the number of payments made is different from the number scheduled, the interest paid in any year should be calculated on the basis of the number of payments actually made. Please keep this card for tax information until those Installment Accounts listed are paid.

Consult your tax advisor or Internal Revenue Service for the most up-to-date information regarding your tax return. Thank you for banking with C&S.

ORDERING FORMS

E- 1038

FORM NO.	DESCRIPTION	ORDER FROM
10-896	Statement of Interest	Purchasing Department, Atlanta
9-351	Envelope	" " "
NONE	Interest Inquiry Request	Interest Inquiry Dept., YOUR CITY

OPERATING BULLETIN

SECTION ACCOUNTING AND GENERAL OPERATIONS

SUBJECT LOSSES

TOPIC NON-COLLECTIBLE ACCOUNTS

 Date 10/24/69

NEW BULLETIN

Non-collectible accounts are a large portion of the charged-off accounts in each office. To simplify the handling of the non-collectibles, as well as to facilitate audit control, inactive non-collectible accounts should be eliminated from your Recovery Department's ledger trays. This bulletin sets forth procedures for purging inactive non-collectibles, and reactivating as needed.

INACTIVE NON-COLLECTIBLE ACCOUNT DEFINED

For our purposes, an inactive account is a non-collectible ledger with no activity for five years or longer.

PROCEDURE

The following procedure should be coordinated with the local auditor.

1. Recovery personnel should age the non-collectible ledgers according to number of years since last activity.
2. If more than one control group on non-collectibles exists, be sure to keep each group separate.
3. Run adding machine tapes on each year group of inactive ledgers.
4. The local auditor will verify the totals, and satisfy himself that only non-collectible accounts having no activity within the last five years are included.
5. Prepare a dummy ledger for each control group, labeled "Control Ledger, Inactive Non Collectibles, (CAS, ILD or L&D) control, (Originating office) Branch".
6. Post the total balances of each year group on the control ledger and substitute it in your file in place of the inactive ledgers, plus the inactive control ledger, and balance to the controls).
7. Note the current balance on the wheeldex card.
8. Type a list of the account numbers, loan type (CAS, ILD or L&D) names, and balances of the accounts involved.
9. Send a copy to System Consumer Credit, Atlanta.
10. Place the ledgers in dead storage, with instructions to destroy after 15 years.
11. Keep folders, notes, and wheeldex listings on these accounts in their present locations.
12. Going forward, purge non-collectible files annually to eliminate inactive ledgers.
13. Notify the local auditor by memo approximately a week prior to the time ledgers are purged.
14. Add the total balances of the ledgers purged to the control ledger, and place the ledgers in dead storage.

NEW BULLETIN

REACTIVATION

If it becomes necessary to reactivate one of these ledgers:

1. Take it from storage and return it to the file.
2. Subtract the balance on the reactivated ledger from the balance on the control ledger.
3. Notify the local auditor of the reactivation, via memo, giving account name, number and balance reactivated.

FINAL DISPOSITION

On accounts inactive over 20 years:

1. Destroy the ledger card, folder, etc., pursuant to the Consumer Credit Operating Guide Bulletin ACCOUNTING AND GENERAL OPERATIONS - RECORD RETENTION.
2. Lower the controls by the total of the balances of the cards destroyed.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC ADJUSTER & DEALER PROCEDURE

 Date 8/24/70

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - PAYMENTS - RECEIPT BOOK Dated 6-25-57

Our accounting system for payments is most efficient when there is a high percentage of unmutilated customer payment cards received with payments. Everyone who accepts payments must encourage customers to use their payment card book when they send or bring their payments. If the customer needs a new payment card book, order one on form 19-1215, Installment Loan Payment Book Reorder.

RECEIVING PAYMENTS

When the customer has his payment card book,

1. Determine the exact status of the account.
   a. Dealers can use customer's payment card book and past due list.
   b. Adjusters refer to collection card, audio, video, or Past Due list.
2. Collect the proper amount due, including late charges.
3. Remove the appropriate payment card(s) from the payment card book.
4. Date and initial the appropriate stub(s).
5. If amount collected differs from pre-printed amount on payment card, write it in the Amount Paid portion of the card. Also write it on the stub.
6. Give the payment card book back to the customer.

If the customer does not have his payment card book,

1. Determine account number and exact status of account.
2. Collect the proper amount due, including late charges.
3. If payment is check or money order, write in the customer's account number.
4. Fill out a Customer Receipt.
5. Give the customer the original (Customer Receipt Copy).

CUSTOMER RECEIPT BOOK (19-947 Rev. 7/70)

We provide our adjusters and dealers with a Customer Receipt Book. It should normally be used only when the customer does not have his payment book. Each receipt carries wording supplied by our attorney indicating that the payment is accepted as agent for the customer. The Receipt Book is designed in "pocket size" so that it may be conveniently carried by the dealer and our adjustors in making outside calls. Sufficient receipts are in each book to take care of the requirements of all except the larger dealers who will need to be supplied with more books. The receipts are triplicate snap-out sets, and the second copy is for use as a substitute payment card.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - PAYMENTS - RECEIPT BOOK Dated 6-25-57

Previously, a separately prepared substitute ticket was required. For this reason, we should encourage dealers to use our books in preference to others. Instructions for dealers and adjusters are printed in each Receipt Book. However, if we are to gain a saving in time through the use of the Receipt Book and dealer payment procedure, a constant dealer educational program will be necessary in requiring that all dealers follow the instructions.

The receipts have transaction code 42 (regular payment, possibly including late charge) already printed. The code 42 should be crossed through and code 12 (late charge only), or code 63 (extension fee) entered when applicable.

The Account Number portion should be filled in completely. The first three spaces are for the 3-digit bank code (until 3-digit bank codes are published, use the present 2-digit bank code preceded by "0".). The next two spaces are for branch code, and the last five spaces are for the loan number.

EXTENSIONS

When an extension fee is collected, it is also necessary to complete a Notice of Extension (19-1400). See COLLECTIONS- EXTENSIONS.

RELATED BULLETINS:

ACCOUNTING & GENERAL OPERATIONS - PAYMENT CARD BOOKS
COLLECTIONS - LATE CHARGES
COLLECTIONS - EXTENSIONS

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC CHARGE ACCOUNTS

 Date 8-21-57

REPLACES BULLETIN "ACCOUNTING - PAYMENTS - CHARGE ACCOUNTS" DATED 9-20-49

In checking with our offices, it has been found that a variety of methods are being used in charging the borrower's checking account on a monthly basis, although a simpler procedure has been recommended for sometime. This procedure has been rewritten to cover all aspects of handling payments charged to customers' accounts and in the interest of economy, we ask that all offices study the following paragraphs carefully and make whatever changes are necessary.

GENERAL

Each Direct loan customer should be sold on having payments charged to his account as they become due. If the customer does not bank with us, this presents a splendid opportunity to get a new account--either Special or Regular checking account. From the customer's standpoint, convenience is the main selling point:

1. He does not have to mail the payment or come into the bank to make the payment.

2. Reduced cost of postage and/or checks.

3. Money will be deducted from his checking account at a time of the month when he has just made a deposit. (No temptation to spend money before he writes up a check or comes in.)

4. Debit ticket in his statement acts as receipt.

5. Date of automatic charge can be changed in the case of vacations, customer to be out of town or emergency. All that is necessary is that he notify us prior to the regular charge date.

PREPARATION OF DISCOUNT SHEET

A space is provided on the Discount Sheet to indicate how the payments are to be charged. Be sure to indicate the exact name in which the checking account is carried. In some cases it may be different from the name in which your loan is set up.

NOTE: When setting the due date on a charge account loan be certain to use the due date closest to a regular deposit date.

CENTRAL BILLING DEPT.

When Central Billing receives a Discount Sheet which indicates that a checking account is to be charged for the payments, they will:

1. Identify the account as a charge account by marking the ledger card "Chg. Reg. (Spec.) Ckg." and the name of the account to be charged if different from that shown on the loan.

REPLACES BULLETIN: "ACCOUNTING - PAYMENTS - CHARGE ACCOUNTS" Dated 9-20-49

2. Further identify the card by slotting the bottom keysort hole on the right side of the ledger card. (This should be verified by each office as a part of the regular routine when ledger cards are returned from Central Billing).

3. Send customer a special coupon book containing only one sample coupon, the customary inserts, and a special insert indicating that the customer's checking account will be charged each month in accordance with his request.

OFFICE HANDLING OF CHARGE ACCOUNTS

1. On the 1st, 8th, 15th, and 22nd remove from the current tray all charge accounts with payments falling due on that day, using the keysort needle. All accounts should be debited and posted on the date due since any delay increases the opportunity for "Insufficient Funds". (In offices that have not been using the keysort system for charge accounts, it is suggested that during the next 30 days all charge accounts be reviewed to be sure that keysort holes are properly slotted. This should be done as each due date is pulled for charging.)

2. Prepare debit tickets in duplicate on each account.

3. Run the original debit ticket through the teller's work in the same manner as a remittance and the duplicate as though it were a coupon. No record need be sent to the customer.

4. In some offices checking account balances are verified either before debit tickets are made or before they are run through the "Block". A simpler and more economic procedure is to run all charges through, on the date due. The number returned as "Insufficient" will be few and they should be given immediate personal handling in the same manner as any "Insufficient" item.

NOTE: Be sure to slot all cards that become charge accounts after the loan is made and to patch all cards on which the charge has been stopped before the loan is paid out.

DOUBLE CHECK WHEN SENDING NOTICES

Cards on which first notices are sent should be carefully checked to avoid sending notices on charge accounts that, through error, were not charged. Such accounts should be charged immediately.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

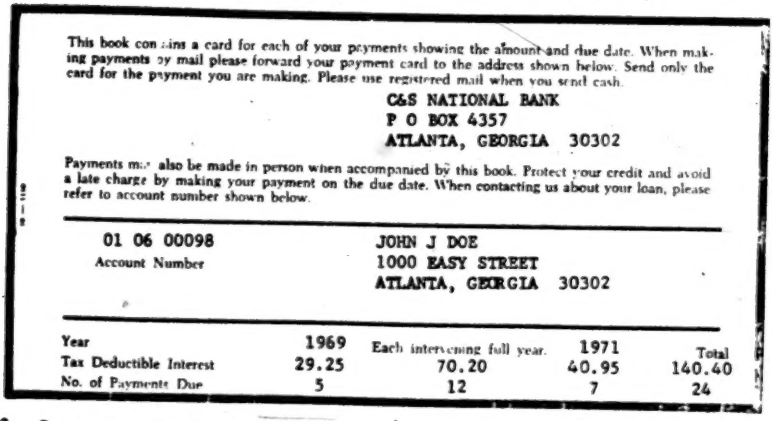
TOPIC PAYMENT CARD BOOK

 Date 8/26/70

Replaces Bulletins: ACCOUNTING & GENERAL OPERATIONS-PAYMENT CARD OR COUPON BOOKS. PAYMENT CARD OR COUPON BOOKS-REQUEST FOR, and PAYMENT CARD BOOKS-RETURNED AND UNUSED - Dated 8/01/65

The Installment Loan Payment Card Book is assembled and mailed by our Central Billing Department for each new loan and for existing loans upon request. It serves as advance notice to our customer of each payment due, provides him with a detailed record of the loan, and permits payments to be made conveniently by mail or at any teller's window in any of our banks. Each payment card is the posting medium containing all information needed for accounting purposes. The Payment Card Book contains:

1. Mailing Insert - The mailing insert provides the following information:
   a. Customer Name and Address - The insert, containing the customer's name and address is bound inside the front cover of the book. A window is positioned in the cover and the mailing envelope allows the customer's name and address to show.
   b. Bank Return Address - The bank address to which payments should be mailed (in each city) is shown.
   c. Interest - Tax Information - The amounts of interest which are applicable for each year are shown, with the total number of payments to be made each year. The total number of payments to be made over the life of the loan and the total interest charge are also shown. On the reverse of the mailing insert there is an explanation of the method of computation.



This book contains a card for each of your payments showing the amount and due date. When making payments by mail please forward your payment card to the address shown below. Send only the card for the payment you are making. Please use registered mail when you send cash.

C&S NATIONAL BANK
P O BOX 4357
ATLANTA, GEORGIA 30302

Payments may also be made in person when accompanied by this book. Protect your credit and avoid a late charge by making your payment on the due date. When contacting us about your loan, please refer to account number shown below.

01 06 00098
Account Number

JOHN J DOE
1000 EASY STREET
ATLANTA, GEORGIA 30302

Year	1969	Each intervening full year.	1971	Total
Tax Deductible Interest	29.25	70.20	40.95	140.40
No. of Payments Due	5	12	7	24

2. Insurance Certificates - If applicable for Life, Disability and Retail Fire and Theft.
3. Change of Address Notification.
4. Add-on Inserts (For Sales Finance, when requested).

5. Payment Cards - a Payment Card is included for each scheduled payment. If the loan is coded "Debit Checking For Payments" only one Payment Card is prepared, showing the payment amount and first due date.

PAYMENT CARD BOOKS RETURNED IN MAIL

Payment Card Books are mailed directly to customers, except for employee loans.

Books returned through the mail are routed to Atlanta-Local Auditing. Books received on loans originating outside of Atlanta are forwarded to the appropriate local auditor for verification.

Local auditors will prepare a notice of returned payment card book, showing full account number and complete address. Then they will send it and the returned mailing envelope to the Installment Loan Department which originated the loan. The auditors retain the book itself. The receiving Installment Loan Department should take action immediately to determine the exact address and prepare a Change Of Address form if necessary. Then return to Local Auditing the mailing envelope, original notice from the local auditors, corrected address, and any appropriate explanation. Speed is essential - the auditors are waiting to receive correct information so they can remail the payment book, and the customer is waiting for the book so he can make his first payment properly.

EMPLOYEE LOANS

Payment Card Books are mailed to the Local Auditing Department which will forward the book to the employee.

PAYMENT CARD BOOKS NOT MAILED

When instructions on the Discount Sheet indicate that the customer has requested that the Payment Book not be mailed to him, the Payment Book is sent directly to the local auditor. A copy of the explanation for the request, as shown on the Discount Sheet, accompanies the Payment Book. The local auditor verifies the loan and makes appropriate disposition of the Payment Book.

PAYMENT CARD BOOK RE-ORDER

Payment Card Books should be re-ordered when:

1. The customer has lost the original book.
2. A name changes through marriage or divorce.
3. A change (other than a normal extension or due date change) is made in the repayment schedule.
4. A customer wishes to make payments on a direct basis after the loan had originally been set up on a monthly debit to the checking account basis. In this case, complete a Payment Schedule Change form and forward to Installment Loan Control, 3 Nelson.

Replaces Bulletins: ACCOUNTING & GENERAL OPERATIONS - PAYMENT CARD OR COUPON BOOKS, PAYMENT CARD OR COUPON BOOKS - REQUEST FOR, and PAYMENT CARD BOOKS - RETURNED AND UNUSED - Dated 8/01/65.

INSTALLMENT LOAN
PAYMENT SCHEDULE CHANGE
PAYMENT BOOK REORDER

ACCOUNT NUMBER 01 31 04172

DATE 6/3/69

CUSTOMER'S NAME JOHN M. SMITH

1ST SERIES RESCHEDULED			2ND SERIES RESCHEDULED			3RD SERIES RESCHEDULED		
NO. OF PMTS.	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF PMTS.	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF PMTS.	PAYMENT AMOUNT	DATE TO BEGIN
10			37			44		

NUMBER OF MONTHS TO EXTEND 61 | NEW DUE DATE (01, 08, 15, 22) 63 | REPLACE PAYMENT CARDS 65 X | CARD CODE 80 8

EXTENSION FEE COLLECTED $ _____

AUTHORIZED BY 07

IMPORTANT: DO NOT FILL IN ANYTHING IN BLOCKS 10, 27, 44, 61, 63 - WHEN ORDERING PAYMENT BOOKS.

NOTE: A reorder is no longer necessary when transferring accounts. Following the procedure outlined in LENDING GENERAL-TRANSFER OF EQUITY will cause a new payment book to be sent.

ENTIRE BOOKS MAILED IN

Occasionally customers will mail in the entire book with their payments. When this happens, a letter should go to the customer as his book is returned to him. A sample letter is shown below - this letter should be individually typed. (Be sure to show account number, as customers sometimes return this letter with a payment.)

"Thank you for the payment you sent us recently. It has been credited to your Installment Loan account and your Payment Card Book is enclosed.

When mailing future payments, please keep the Payment Card Book. Send us only your remittance and the payment card for the date your payment is due. Your cancelled check or money order stub will be your receipt. We suggest that you do not mail cash."

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC PAYMENT CARD BOOK

 Date 8/26/70

REPLACES BULLETINS: ACCOUNTING & GENERAL OPERATIONS - PAYMENT CARD OR COUPON BOOKS, PAYMENT CARD OR COUPON BOOKS - REQUEST FOR, and PAYMENT CARD BOOKS - RETURNED AND UNUSED - Dated 8/01/65

NON-AUTOMATED INSTALLMENT LOANS

PROCEDURE FOR ORDERING A PAYMENT CARD OR COUPON BOOK

The Payment Card or Coupon Book is made up as a part of the billing procedure on each new loan from information supplied on the Discount Sheet. Whenever a Payment Card or Coupon Book is ordered after the original billing, a REQUEST FOR PAYMENT CARD OR COUPON BOOK form (19-834) must be used. When completed, this form provides all of the information necessary to make up the Payment Card or Coupon Book (normally obtained from the Discount Sheet). The completed illustration below is self-explanatory. ALL SPACES MUST BE FILLED IN BEFORE THE CENTRAL BILLING DEPARTMENT CAN MAKE UP AND ISSUE A NEW BOOK. All Coupon Books and Wallets will be mailed directly to the originating bank.

REQUEST FOR PAYMENT CARD OR COUPON BOOK

Date 8-28-70 Office Albany - N. Washington

Bank Code	Account Number	Numerical Classification	Due Date
09-01	27546	21	1 8 (15) 22 Other

Name: James J. Customer, Jr. — Unpaid Balance: $440.80

Address: 418 Main Street

City & State: Albany, Georgia 31705

Person to Insure if Different from Above: James J. Customer, Jr.

Dealer Name: Jones Appliance Company

Dealer Number: 123

Payment Schedule (remaining payments only) (Total must equal unpaid balance)

8 @ 55.10 beginning 9-15-70

@ beginning

@ beginning

@ beginning

Insurance

Disability	Life	Property	Non-File	Co-Mail
Yes	Yes	No	No	No

ALL SPACES MUST BE FILLED IN BEFORE A NEW BOOK CAN BE ISSUED

19-834 Rev. 7-65

OPERATING BULLETIN

SECTION ACCOUNTING AND GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC SPECIAL HANDLING

 Date 9-10-70

NEW BULLETIN

Customers sometimes send payments without payment cards. Special handling is required to properly process these payments. When a payment is received without an account number or a payment card, Installment Loan Control - Atlanta (or its counterpart in other locations) must look up the account number, prepare a substitute payment card, and send it to be keypunched to be acceptable for computer processing.

To reduce this costly special handling to a minimum, we want to encourage customers to send payment cards with all remittances. Form 19-1047, Customer Request for Installment Loan Payment Card Book, will be prepared and mailed by Installment Loan Control - Atlanta for this purpose - as often as seems practical.

C&S

Thank You for your recent installment payment. We notice that a payment card did not accompany it. You can help us post to your account with speed and accuracy by always enclosing a payment card. Each card shows the amount, due date, and your account number.

If you want a payment book, just return this slip in the enclosed envelope. Thanks for your help.

Account Number

[ ]

as [X] Yes, please send me a payment book [8] as

C&S
Installment Loan Control
P. O. Box 4535
Atlanta, Georgia 30302

Form No. 19-1047

The customer need only enclose this in the return window envelope provided, stamp it, and mail it.

USE BY OTHER LOCATIONS

Certain lending locations may wish to use this form. The envelopes required are 9-311 and 19-1152.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REBATES

TOPIC EXPLANATION

 Date 9-1-67

Replaces Bulletin: "ACCOUNTING - REBATES - EXPLANATION" Dated 8-1-55

All Installment notes and contracts include finance charges for the full term of the account. If accounts are paid in full prior to the date of the final payment, it is our policy to allow a rebate of the full unearned portion of the charge. Because most customers do not understand the principles of installment charges, it is important that everyone having contact with customers be able to explain rebates clearly.

With our policy of rebating the full unearned charges and a clear explanation of the amount being rebated, we have the opportunity to add to our reputation for fair dealing.

PRINCIPLE OF INSTALLMENT EARNINGS

On a single payment loan the borrower has the use of the full amount of the proceeds for the entire term of the loan; hence, if the note is paid in full before normal maturity, the rebate is based entirely on the time element. Consider for example, a $300 loan repayable in one amount after 12 months with a finance charge of $24.00. If the loan is repaid 6 months prior to maturity, which is 50% of the term of 12 months, the pro-rata rebate would be 50% of $24.00, or $12.00. Many customers feel that their rebate on an installment account should be figured this way.

In the case of an installment loan there are two factors to be considered. Since the customer will be making payments each month, the amount of the loan outstanding is constantly decreasing. When such a loan is paid prior to maturity, the rebate is based on the time and the amount of the money used by the customer prior to pay-off date.

EXPLANATION TO CUSTOMER

In most cases, it is sufficient to explain to the customer that our charges are based on the balance outstanding each month and that during the early months of the contract we have more money outstanding and, therefore, the charges are higher. As the balance reduces, a greater proportion of each payment represents principal, and a lesser proportion represents interest.

This can be illustrated by applying the net balance on the account to the rate chart used originally. The amount of charges on the remaining balance for the remaining months will be about the same as the rebate figured on the rebate chart.

Occasionally it may be necessary to illustrate the explanation by using a portion of the example shown under the explanation of the "78ths method."

Replaces Bulletin: "ACCOUNTING - REBATES - EXPLANATION" Dated 8-1-55

78ths METHOD

Rebates on installment loans are computed by the direct ratio method, also known as the sum-of-the-digits method, and more commonly called the 78ths method. In theory, each installment represents one "unit". On a twelve month loan there are 12 units (payments) outstanding the first month, 11 the second month, and so on down to one unit the final month. If the number of units outstanding each month are added, they total 78 (the total will vary with the term; 18 months = 171, 24 months = 300, etc.).

On this twelve months loan, since there is 12 times as much outstanding the first month as there is the final month, it is logical that the bank's earnings should also bear this same relationship. The portion of the total charge taken into earnings each month is a direct ratio of the number of units outstanding that month to the total number of units outstanding over the life of the loan. That is, 12/78ths the first month, 11/78ths the second month, and so on.

The following schedule of a $100 loan for 12 months with interest of $50.00 (5% Add-On) illustrates the application of this theory.

	TOTAL LOAN		INTEREST			PRINCIPAL	
	PAYMENT	BALANCE	EARNED UNITS	EARNED AMOUNT	UNEARNED BALANCE	PAYMENT	BALANCE
		$ 1050.00			$ 50.00		$ 1000.00
1	$ 87.50	962.50	12/78	$ 7.69	42.31	$ 79.81	920.19
2	87.50	875.00	11/78	7.05	35.26	80.45	839.74
3	87.50	787.50	10/78	6.41	28.85	81.09	758.65
4	87.50	700.00	9/78	5.77	23.08	81.73	676.92
5	87.50	612.50	8/78	5.13	17.95	82.37	594.55
6	87.50	525.00	7/78	4.49	13.46	83.01	511.54
7	87.50	437.50	6/78	3.85	9.61	83.65	427.89
8	87.50	350.00	5/78	3.21	6.40	84.29	343.60
9	87.50	262.50	4/78	2.56	3.84	84.94	258.66
10	87.50	175.00	3/78	1.92	1.92	85.58	173.08
11	87.50	87.50	2/78	1.28	.64	86.22	86.86
12	87.50	-0-	1/78	.64	-0-	86.86	-0-

If the customer wishes to repay the loan in full after 6 months, he is entitled to a refund of the unearned interest. The unearned interest is merely a direct ratio of the sum of the remaining unpaid units to the original sum of the units. There are still six months remaining, and adding up the units that would have been outstanding in each of those months - 6 plus 5 plus 4, etc. - the sum is 21. Since the original sum was 78, the unearned interest should represent 21/78ths of the original interest. Refering to the illustration, 21/78ths of $50.00 is $13.46 which is the unearned interest balance after the sixth payment. For ease of calculation, rebate charts have been prepared which convert the fractions to decimal equivalents. The decimal equivalent of 21/78 is .269, thus our standard rebate chart shows .269 as the rebate factor for a 12 month loan that has run 6 months.

Replaces Bulletin: "ACCOUNTING - REBATES - EXPLANATION" Dated 8-1-55

The net principal balance on the above loan after six months is $511.54. If the customer wished to borrow this amount for the six months remaining, at the original rate of 5%, the interest would be $12.79, which approximates the rebate of $13.46.

This example illustrates the theory of the method of calculating rebates. In actual practice, however, there are other factors which enter into the calculation of rebates. For the details refer to the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, INTEREST & DISCOUNT - PROCEDURES". This same theory is used in calculating rebates of dealer reserve, as explained in the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, DEALER RESERVE - PROCEDURES".

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REBATES - DEALER RESERVE

TOPIC PROCEDURE

 Date 9-1-67

New Subject:

Recent legislation affecting certain types of Sales Finance contracts stipulates that when a contract is paid in full prior to maturity a rebate of the Total Finance Charge (Time Price Differential) must be granted. Therefore, in addition to our regular rebate of Interest or Discount, we must grant a rebate of the Dealer's Loss Reserve (including any reserve which might have been paid to dealer at the time the contract was discounted). This applies only to contracts dated on or after October 1, 1967 - for the types of contracts affected, refer to the bulletin "SALES FINANCE GEORGIA REGULATIONS."

REBATE CALCULATION

Use Dealer Reserve Rebate Debit Ticket, form #19-1085. This new form is very similar to the Interest and Discount Rebate form, providing a work sheet for the computation. The same rebate factor must be used on both tickets.

Line 5 "Total Dealer Participation in Finance Charge" must include any reserve paid with the contract as well as any credited to the dealer's reserve account. These two figures will be shown adjacent to each other on the ledger card, labeled "Dealer Reserve". Any "prepaid" reserve will be shown first, followed by a dash and the amount of reserve held. (For example: 75.00 - 25.00).

REBATES ON IRREGULAR OR SEASONAL LOANS

Procedures for computing rebates on irregular or seasonal loans are discussed in the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, INTEREST & DISCOUNT - PROCEDURES." After the Interest and Discount Rebate Ticket has been completed, divide the "Gross Rebate" (line 8) by "Net Charges" (line 6) to determine the ratio or factor. This factor should be used on line 4 of the Dealer Reserve Rebate Ticket, and when applied to the total dealer reserve will result in the amount of the dealer reserve to rebate.

For example:

Interest and Discount Rebate

(4)	Original Interest Charge	$100.00	(8)	Gross Rebate	$17.00
(5)	Acquisition Charge	15.00	(9)	Late Charges	5.00
(6)	Net Charges	85.00	(10)	Net Rebate	12.00

17.00 ÷ 85.00 = .20 (20%)

Dealer Reserve Rebate

(4)	Rebate Factor	$ .20
(5)	Total Dealer Partic.	25.00
(6)	Rebate	5.00

New Subject:

REBATES OF LESS THAN $1.00

The regulations provide that if the rebate of the total finance charge is less than $1.00, no rebate need be granted. However, if the interest rebate and the dealer reserve are each less than $1.00, but total $1.00 or more we must grant the rebate. Procedures for handling these are discussed in the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, INTEREST & DISCOUNT - PROCEDURES."

DISPOSITION OF TICKETS

The Dealer Reserve Rebate Debit Ticket should be prepared in duplicate. The original is the General Ledger entry, which along with the Interest & Discount Rebate and the cash or check received, offsets the credit to the loan account. The duplicate should be filed with the other entries affecting the individual dealer's reserve account. The rebates will then be itemized on the Dealer Reserve Statement and the copies mailed with the statement to the dealer.

RECORDING REBATES ON THE LEDGER CARD

Dealer Reserve Rebates should be written in the upper portion of the ledger card to the left of "Rebate" and preceded by "DR". The interest rebate will be written in the space provided.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REBATES - INTEREST AND DISCOUNT

TOPIC PROCEDURES

 Date 12-27-71

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9/1/67

When an installment account is paid in full prior to the due date of the final payment, it is our policy to allow a rebate of the unearned portion of the finance charge as well as the unearned premium if insured. Formerly we calculated rebates using the number of payments that had matured whether or not they had been paid. When installment loans individual were automated, the rebate formula was based on the number of months elapsed since the date the loan was made. The rebate changes each month with the next anniversary date from the original date of the loan. This procedure should be used in calculating manual rebates including Business and Real Estate.

COMPUTER REBATE DEBIT TICKET

The computer rebate debit ticket (form #19-1240), should be used on all automated ILD-Individual Rebates. The interest and discount rebate is available through audio or video on all regular payment loans. Those offices that do not have access to the computer through audio or video use current status reports for rebates and payoffs. When a rebate is determined by either audio, video, or current status report, only the bank - branch - account number, rebate allowed, date rebated, customer's name, date calculated, calculated by and approved by need be completed on the form.

INSTALLMENT LOAN **DEBIT** INTEREST & DISCOUNT **REBATE**

ACCOUNT NUMBER	REBATE ALLOWED	TRAN. CODE	DATE REBATED
01 01 12345	23.83	68R	10-12-71
1 7	12	20	46

THIS SECTION MUST BE COMPLETED FOR ALL MANUALLY CALCULATED REBATES.

$ _____ TOTAL INTEREST & DISCOUNT _____ TOTAL NO. MONTHS

EXPLAIN ON REVERSE IF REBATE ALLOWED ABOVE, DOES NOT AGREE WITH REBATE AMOUNT BELOW.

— $ _____ ACQUISITION CHARGE (SEE REVERSE) _____ NO. MONTHS LOAN HAS RUN

= $ _____ NET CHARGES X _____ REBATE FACTOR = $ _____ REBATE AMOUNT

CUSTOMER NAME AB CALHOUN

DATE CALCULATED 10 12 71

CALCULATED BY COMPUTER

APPROVED BY J Jones

19-1240

If the rebate must be calculated manually, the center portion of the form is designed as a worksheet. A loan made 5-3-71 for $600 with a total charge of $67.26 (including life and disability insurance) with terms of 18 months - first payment 6-15-71 requests a payoff 10-12-71. The following example indicates manual calculation using six for the number of

months the loan has run (count any fraction of the month as a whole month). Use rebate chart factor .456. Life and disability insurance premiums having been credited to Interest & Discount (although not a part of the finance charge) are included in the rebate calculation.

INSTALLMENT LOAN — DEBIT INTEREST & DISCOUNT — REBATE

ACCOUNT NUMBER	REBATE ALLOWED	TRAN. CODE	DATE REBATED
01 01 12345	23.83	68R	10-12-71
2 7	12	20	46

THIS SECTION MUST BE COMPLETED FOR ALL MANUALLY CALCULATED REBATES

$ 67.26 TOTAL INTEREST & C.A. ACCOUNT	18 TOTAL NO. MONTHS	EXPLAIN ON REVERSE IF REBATE ALLOWED ABOVE DOES NOT AGREE WITH REBATE AMOUNT BELOW.
− $ 15.00 ACQUISITION CHARGE (SEE REVERSE)	6 NO. MONTHS LOAN HAS RUN	
= $ 52.26 NET CHARGES	x 456 REBATE FACTOR	= $ 23.83 REBATE AMOUNT

CUSTOMER NAME AB CALHOUN

DATE CALCULATED 10-12-71
CALCULATED BY ET + JJ
APPROVED BY

19-1240

REBATE DEBIT TICKET FOR INSTALLMENT LOANS NOT YET AUTOMATED

This form provides a worksheet for computing the rebate, outlining the steps to follow in proper sequence; and, when completed in duplicate, provides a General Ledger ticket with a copy for accrual purposes. Form #19-923 Rev. 9-67, is used by those offices whose General Ledger accounting is performed manually. Those offices whose General Ledger is automated use rebate tickets (form #19-925 Rev. 9-67) which are personalized and MICR encoded with separate account numbers for "Business", and "Real Estate."

COMPUTATION OF TIME

Installment loan rebates are normally based on whole months rather than days, and the rebate chart is constructed accordingly. In order to compute "number of months note has run" merely count any fraction of the month from the original date of the loan as a whole month regardless of whether paid or not.

Date of Payoff 10/12
Original Loan Date -5/ 3

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9-1-67

ACQUISITION CHARGE

Regardless of how soon an account may be paid off, we have basic acquisition costs in setting the account up on our books. This appears on the rebate tickets and is deducted from the original interest charge to arrive at the net charges. Use an acquisition charge of $25.00 on all Automobile loans (Over-the-Counter and Sales Finance) and $15.00 on all other classes of loans.

REBATE FACTOR

Use the factor obtained from the Rebate Chart (available from Retail Banking, 9 North Avenue, Atlanta). Merely insert the proper factor, and multiply the Net Charges by this factor to arrive at the Gross Rebate. Refund books which list the amount of rebate for various even dollar amounts are also available from Retail Banking.

ACCUMULATED UNPAID LATE CHARGES

Late charges are assessed because of the expense of personal handling of the account and should be collected. Late charges should be added to the balance of the loan rather than subtracted from the rebate for installment loans on the computer.

INSTALLMENT LOAN CREDIT LOAN BALANCE PAYOFF

ACCOUNT NUMBER	AMOUNT	TRAN CODE	DATE
01 01 12345	520.83	52	10-12-71

		ENTER CODE ABOVE	DESCRIPTION OF TRANSACTION
LOAN BALANCE	$ 518.98	52	REGULAR PAYOFF
+ LATE CHARGE DUE	$ 1.85	53	REPURCHASE BY DEALER
= AMOUNT OF TRANSACTION	$ 520.83	54	REFINANCE—CAS
— INT. & DISC. REBATE	$ 23.83	55	PAYOFF BY ANOTHER LENDER
— DEALER RES. REBATE	$ —	56	REPOSSESSION PROCEEDS
= NET PAYOFF AMOUNT	$ 497.00	57	PAID BY LIFE INSURANCE
		59	CHARGE-OFF

CUSTOMER'S NAME AB CALHOUN PREPARED BY JJ

If there are any unpaid late charges on loans not yet automated, these should be deducted from the Gross Rebate to arrive at the Net Rebate.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9-1-67

DEBIT INTEREST & DISCOUNT — INSTAL. LOANS Date Rebated 10-12-71

INDIVIDUAL ☐ BUSINESS ☒ REAL ESTATE ☐ Date Computed 10-12-71

1	OFFICE CODE 1A / ACCOUNT NO. 12345 — DUE CLASS 17	NO. OF MOS. (Line 2 Minus 3) 12	CODE 1	NAME AB CALHOUN			
2	ORIGINAL LENGTH OF NOTE IN MONTHS	18	7	REBATE FACTOR FROM REBATE CHART	456	REBATE ALLOWED $21.98	
3	NUMBER OF MONTHS NOTE HAS RUN	6	8	GROSS REBATE (Line 6 Times Line 7)	2383	EXPLAIN ON REVERSE IF REBATE ALLOWED DOES NOT AGREE WITH LINE 10	
4	ORIGINAL INTEREST CHARGE	$67.26	9	ACCUMULATED UNPAID LATE CHARGES	$ 1.85		
5	ACQUISITION CHARGE (See Reverse)	$ 15.00	10	NET REBATE (Line 8 Minus Line 9)	$21.98	Computed By [illegible]	
6	NET CHARGES (Line 4 Minus Line 5)	$5226	RECEIPT ACKNOWLEDGED OF ABOVE REBATE [illegible]			Approved By [illegible]	

19-923 Rev. 8-67 ALL OF THE ABOVE SPACES MUST BE FILLED IN FOR ACCRUAL PURPOSES

REBATES OF LESS THAN $1.00

Because of the cost of handling, rebates of less than $1.00 should not be granted. When dealer reserve rebates are also computed, and the dealer reserve rebate and the interest rebate are each less than $1.00, but total $1.00 or more, it is a legal requirement to grant a rebate to the customer. Dealer Reserve Rebates are also calculated by the sum of the digits as are interest rebates.

SPECIAL REBATE

In rare cases, it may be necessary to allow a special rebate to maintain our relationship with a good customer. Such exceptions should be kept at a minimum and are subject to the approval of the officer-in-charge. Any special rebates should give us a return of at least 8% simple interest on the average cash employed for the time the contract has been on our books.

APPROVAL

All rebates should be dually approved by two parties, each of whom must see the video display, the status report, or the ledger card, or hear the audio response. The two parties should see the remittance and verify that the remittance plus the rebate (plus dealer reserve rebate where applicable) equals the balance on the account.

DISPOSITION OF TICKETS - AUTOMATED SYSTEM

The computer rebate debit, form #19-1240, is a computer entry which represents the difference between the check or cash received and the amount of the payoff ticket. After daily computer posting, the General Ledger entry is prepared in total for all rebates by each city's Installment Loan Control.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES - INTEREST AND DISCOUNT - Dated 9-1-67

DISPOSITION OF TICKETS - MANUAL SYSTEM

Those installment loans not automated use form 19-923 or 19-925. Use the original as the General Ledger entry and the duplicate should be retained in the Loan Teller's file until forwarded to Installment Loan Control in Atlanta.

The National Bank Offices and those Affiliates on a complete bank accrual basis should send in their rebate copies daily with an adding machine tape attached, the total of which must balance with the tickets and with the total of the debits posted to their General Ledger accounts "Interest and Discount - Installment Loans; Business or Real Estate."

Other banks should retain their rebate copies until the end of the month and send them to Central Billing Department along with their Earnings and Charges reports. The total of the rebates enclosed must agree with the total debits on the reports.

RECORD OF REBATE

On automated loans, the rebate will be posted on the Daily Transactions Journal, recorded on the Accrual and Exceptions Report and will appear on the Closed Loan Card. For those not automated, the rebate should be noted on the ledger card in the space provided in the upper right hand corner.

PAYMENTS PAID IN ADVANCE

There is no practical way for us to allow credit for several payments paid in advance which do not pay the entire balance in full. If such a request is received, it should be explained that if the customer continues to pay ahead, the rebate given at the time the entire account is paid in advance of final maturity will automatically include credit for all prepayment. Automated Loans which are prepaid will print the message "Rebate Available" on the Action Report when the final payment is made.

GROSS BALANCE RECEIVED WITHOUT REQUEST FOR REBATE

We do not wish to retain any unearned charges to which our customers are entitled. Any rebate due the customer (in excess of $1.00) must be refunded to comply with Regulation Z. When the gross balance is received without a request for a rebate, a check for the amount of the rebate due (if more than $1.00) should be mailed to the customer with an appropriate letter.

REBATES ON SEASONAL OR IRREGULAR PAYMENTS

Our standard rebate chart is applicable only to loans having equal monthly payments. Rebates on loans with seasonal or irregular payments must be figured by alternative methods. Since rebates on certain Sales Finance contracts must conform to Georgia regulations, the following methods are recommended.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9-1-67

Seasonal payment loans should be defined as having payments of the same amount (or only a slight difference in amount) and with the same equal time between payments. If equal, the computer will figure rebates on regular monthly, quarterly, semi-annual, and annual payments. If not equal, the computer will respond "Irregular" indicating that it must be calculated manually. Sales Finance managers were supplied with copies of rebate charts for quarterly, semi-annual, and annual payments and these should be used when payments are irregular. Additional copies of these may be obtained from Retail Banking, 9 North Avenue, Atlanta.

Balloon payment loans are those which have a series of equal monthly payments with a final payment for a considerably larger amount. The rebate should be computed in three steps. (1) Compute the rebate on the amount of interest on the monthly portion in the standard manner, deducting the acquisition charge before applying the usual rebate factor. (2) Compute the rebate on the amount of interest in the balloon payment by the pro-rata method (divide number of months remaining by the number of original months and multiply the result by amount of interest). (3) Prepare the rebate ticket and add the amount of the two rebate calculations to determine the total rebate. The following example illustrates this procedure:

Loan with 11 payments @ 44.44 and 1 @ 590.95. Discount sheet, or original calculations in file, indicates interest on monthly portion of $33.28 and on the balloon payment of $46.51, totaling $79.79. This is a $1,000 advance with life insurance-6% add-on, plus life insurance on the monthly payments and 8% simple, plus life insurance on the balloon payment.

Rebate computed at end of 5 months:

1. Monthly portion (12 months term, run 5 months)

Total Interest	$33.28
Acquisition Charge	15.00
Net Charge	18.28
Rebate Factor	.358
Rebate	6.54

2. Balloon payment (7 months remaining)
   7/12 = .583
   $46.51 x .583 = $27.12 Rebate

3. $6.54 + $27.12 = $33.66 Total Rebate

Calculating the rebate will be much easier if the original calculations made at the time the loan is made are maintained in the file. If they are not, the method outlined for irregular payments should be used.

Irregular payment loans are those with payments of different amounts and/or varying time periods between payments. On automated loans, audio, video and current status information will be "Irregular" indicating the necessity for manual calculation. There are two ways to compute rebates on such loans. The first is to use the same rate chart used at the time of discount and re-compute what the charges would be from the time of rebate to the maturity. If several payments are involved this can be very time consuming, and is made even more difficult if the original calculations are not in the file.

The following method is recommended because it can be applied to any loan, and because it meets the requirements of the Georgia Sales Finance Acts. It requires determining the ratio of the sum of the monthly unmatured balances to the sum of the originally scheduled monthly balances for the full term. (This is the way which the rebate factors are computed for the rebate charts on regularly scheduled loans). The interest (less acquisition charge) is then multiplied by this ratio to determine the rebate. The steps to follow are illustrated below.

Consider a loan made 3-10-71 with Interest and Discount of $73.00 and Dealers' Reserve of $40.00, with a total note of $1200.00. The payment schedule is as follows:

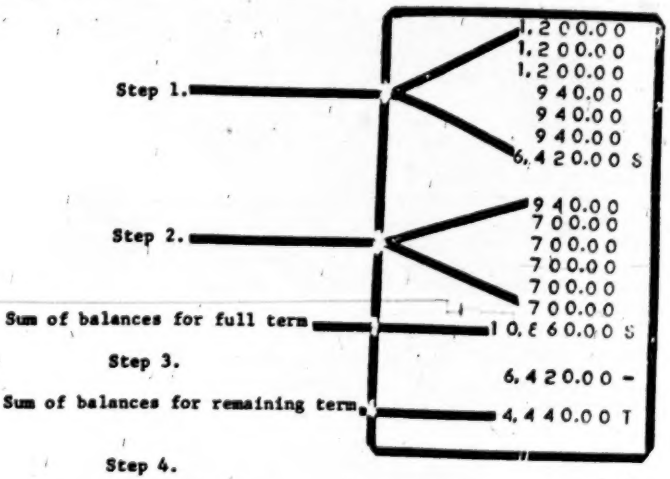
Date Due	Payment	Balance
6-8-71	260.00	1200.00
10-8-71	240.00	940.00
3-8-72	700.00	700.00

A rebate is calculated on 9-1-71. This means that, for rebate purposes, the loan has run 6 months (from 3-10-71).

1. List what the balances were scheduled to be each month during this first six months and sub-total.
2. List what the balances each month would be for the remaining six months, if it were paid as scheduled, and sub-total. This is the sum of the balances for the full term of the loan.
3. Subtract the sub-total in step 1 from the sub-total in step 2 and total. The result is the sum of the balances for the remaining term.
4. Divide the sum for the remaining term by the sum for the full term.
   NOTE - Regardless of the size of the two totals, an accurate ratio will result by rounding off and dividing by only the first 4 digits of the sum for total term. The sum of the remaining term should then be rounded off accordingly.

5. Using the ratio from step 4 as the rebate factor, complete the rebate ticket and calculations in the usual manner.

These procedures are illustrated for our example loan.



Step 4.

$\frac{4,440.00}{10,860.00} = \frac{444}{1086} = .408$ (Rebate Factor)
(Use for Interest Rebate and Dealer's Reserve Rebate)

Step 5.

Complete rebate ticket -

Original Interest	-	73.00	Rebate Factor	.408
Acquisition Charge	-	15.00	Gross Rebate	23.66
Net Charge	-	58.00		

MISCELLANEOUS ENTRIES

Miscellaneous charges formerly made to Interest & Discount - Installment Loans covering transfer fees, title and recording fees, etc., should now be charged to Miscellaneous Expense General - Other Income. Such tickets must contain a complete description of the charge and show the proper title of the General Ledger Account.

E-1068

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS

SUBJECT RECORD RETENTION

TOPIC

PAGE 1 of 6

1-3-62
DATE

REPLACES BULLETIN: GENERAL OPERATIONS - RECORD RETENTION, dated 12-8-58

A tremendous number of pieces of paper are necessarily handled each year in the operation of an Installment Loan Department. The manner in which files and records are kept has a direct bearing on the "ease" of doing business as well as on the greater net profit resulting from the time saved in each operation. Material retained longer than the absolute minimum time required, for either operating purposes or by law, is costly not only because of storage requirements, but even more so in the time consumed by unnecessary handling. This bulletin has been written to provide a standardized procedure for record retention. While it does not take into consideration every piece of paper and form used in our installment lending operations, it has been designed to cover those items creating the major portion of this problem. Some variance in filing requirements will be necessary in offices of different sizes, but basically, the procedure will fit all operations.

STATUTORY REGULATIONS There are no federal statutory provisions covering the period of time for retention of records by National Banks, therefore, National Banks are governed in this respect by the existing state law. For this reason, all National and State chartered Banks must comply with the State of Georgia Banks and Trust Companies Regulation #2, adopted April 1, 1953, and amended April 1, 1954, concerning retention of records. This regulation does not specifically consider the retention of installment loan records, but an opinion has been rendered by the Department of Banking of the State of Georgia. It has taken the position that, since Loan and Discount records are governed by this regulation, any installment loan record which can be compared with a similar record from the Loan and Discount Department shall be governed by the same minimum retention requirements. The regulation provides for the legal acceptance of micro-photographed reproductions of the records affected by it. Throughout this bulletin, an asterisk has been used to indicate periods of retention which are governed by statutory regulation.

CREDIT AND COLLECTION FOLDERS Credit and Collection Folders contain the greatest bulk of records and material in any one place in the Installment Loan Department. A systematic program of record retention and destruction within these files will greatly reduce costs. There are three stages in which the program should be carried out with regard to these folders.

DURING THE "PAID-IN-FULL" PROCEDURE
DURING DAILY USE
DURING THE SYSTEMATIC, PERIODIC SCREENING OF FILES

1. The greatest portion of the material in the Credit and Collection Folder can be disposed of during the "paid-in-full" procedure. At this time, the following disposition of material should be made.

   A. Retain in Folder

      Paid-Out Ledger Cards - may be filed in the Credit and Collection Folder as soon as one monthly balancing period has transpired after the date of pay out.

Applications, Credit Bureau Reports and other material needed in the future extension of credit.

B. Return to customer (unless paid by renewal) all evidences of debt on paid-out accounts and related documents.

Evidence of Debt (i.e., Agreements, Notes, Bills of Sale to Secure Debt, Insurance Premium Contracts, Transfers of Equity.)

Supporting Data (i.e., Bills of Sale, Invoices, Insurance policies other than life.)

Collateral (i.e., Life Insurance policies, Savings Passbooks, etc.)

CAUTION - DO NOT RETURN ANY SECURITY INSTRUMENTS OR COLLATERAL THAT MAY BE NEEDED TO SUPPORT ANOTHER LOAN.

C. Return to Insurance Company

Properly executed Release of Life Insurance Policy Assignments.

D. Return to Dealer

Conditional Sales Contracts and related Notes.

E. Return to Signer

Hypothecation Certificates and related collateral.

Letters of Guaranty.

Trusts Receipts.

F. Remove from folders and destroy all material not needed in future dealings. Such as:

Acknowledgment Letter (Insurance Premium Financing)

Adjustor's Copy of Ledger Card

Adjustor's Memoranda

Check Duplicates

Correspondence

Appraisal Sheet (Automobile)

Borrower's Authorization Form

Business Loan Appraisal Memorandum

Loan Appraisal Memorandum

Insurance Questionnaire (Cash Value)

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION" Dated 12-8-58

Deposit Duplicates	Partial Release of Collateral
Discount Sheet (If it contains no credit information)	Physical Verification Report
Draft (Auto Bank Agent)	Property Improvement Verification
Extension Report (Farm Equipment)	Summary of Account
Insurance Premium Questionnaire	Verification (Audit Mail)

2. During daily use, for credit and collection purposes, any material not necessary for future handling should be removed from the Credit and Collection Folders. The two most frequent periods of handling which lend themselves to this procedure are when folders are out for collection purposes and/or when they are being used for reference by direct lending personnel.

3. At least once a year, credit and collection file drawers should be screened and all folders containing accounts paid out 1 year or more and having no open loans to the customer should be removed. In initiating this procedure, it will be necessary, the first year, to thumb the entire files in order to pull the 1 year and older paid-out account folders. If the following procedure is begun at the same time, it will provide for a much simpler method of removing paid-out folders after the first year's thumbing process.

   During the paid-out procedure, the tab of the Credit and Collection Folder should be stamped with the year in which the paid-out loan occured. The following year, during the periodic screening of files, those folders dated the preceding year can then be pulled without thumbing all of the files.

   During this periodic screening of files, all unfavorable information, (repossessions, unsatisfactory credit or collection information, etc.) should be retained on an indefinite basis. Folders in which no unfavorable information exists, and where the latest loan has been paid out for one year or more, should be disposed of with the exception of the paid-out ledger cards. Such Ledger Cards should be removed and microfilmed. The resulting reproduction should then be sent to Dead Storage for 14 years (total retention time after date of pay-out - 15 years).

OTHER RECORDS Records other than those found in the Credit and Collection Folder have been grouped according to use. The retention periods shown refer to the total retention time required, including storage time in both the Installment Loan Department and in Dead Storage. All offices have access to micro-photographing equipment and, wherever the retention period in Dead Storage exceeds 1 year, records should be microfilmed at the time they are to be sent to Dead Storage and the resulting reproduct[illegible] retained in Dead Storage for the balance of the retention period.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT RECORD RETENTION

TOPIC

 Date 1-3-62

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION" Dated 12-8-58

RECORD Accounting Records	TOTAL RETENTION PERIOD	DISPOSITION
Control Sheet (Retail)	1 Year*	
Coupons and other retail posting media	2 Years*	Send to Dead Storage after 1 year. Do not microfilm.
Dealer Reserve Cards	1 Year	
Dealer Reserve Statements	10 Years*	Microfilm and send to Dead Storage after 1 year.
General Ledger Entries	6 Months*	
Long Proof Sheets (Balancing Tapes)	1 Year*	
Monthly Insurance Report	1 Year	
Paid-Out Ledger Cards	15 Years*	Microfilm and send to Dead Storage 1 year after loan is paid out. (See Credit & Collection Folder section.)
Proof Sheets	1 Year*	
Record of Wholesale Checking	1 Year after last Wholesale Check.	
Statement of Wholesale Curtailment	Destroy copy when paid.	
Statement of Wholesale Interest	Retain until next Comptroller's Audit.	
Wholesale Checking Report	Forward to System Consumer Credit.	
Wholesale Control Sheet	15 Years*	Microfilm and send to Dead Storage after 1 year.
Wholesale Ledger Sheets & Extensions	Retain 6 Months after payment of all items.	
Wholesale Note, Bill of Sale to Secure Debt and Invoice	Return to Dealer when paid.	
Wheeldex Card	Destroy when account is paid.	

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION", Dated 12-8-58

RECORD	TOTAL RETENTION PERIOD	DISPOSITION
Accounting Records (Cont.)		
CAUTION - Retention periods are based on the assumption that accounting records are in balance. Do not destroy records until they are in balance or proper adjustments have been made.		
Charged-Off Accounts		
Uncollected		
Entire folder and Ledger card	20 Years*	Do not send to Dead Storage.
Collected		
Entire Folder	1 Year	
Ledger card	1 Year	in folder, then microfilm and store reproduction in Dead Storage 14 years - (Total retention time - 15 years* after date of final collection.)

(Follow the same procedure as for a normal paid-in-full customer account. See Credit and Collection Folder section of this bulletin.)

Dealer Files

Dealer folders should be screened each time that a review is made. Retain the entire file as long as we have a relationship with the dealer and/or we have receivables. After our relationship becomes inactive and receivables are liquidated, the file should be retained for 5 years and then sent to Dead Storage for a 5 year period (total retention time after file becomes inactive - 10 years.)

RECORD	TOTAL RETENTION PERIOD	DISPOSITION
Agreement	10 Years*	
Approval of Dealer Lines	10 Years	(Latest ADL)
Corporate Resolution	20 Years*	May be microfilmed after 10 years when balance of file is destroyed.
Correspondence That which has direct bearing on credit decisions.	1 Year	

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION - Dated 12-8-58

RECORD	TOTAL RETENTION PERIOD	DISPOSITION
Dealer Files (Cont.)		
Credit Information Dun and Bradstreet Other type reports (N.A.C.M. - Retail Credit - Newspaper Clippings.) Personal Credit Information	Retain latest complete and all subsequent partial reports until file is sent to Dead Storage (5 years).	
All Unfavorable Information	10 Years	
Dealer Purchase Guide (Old Dealer Reviews)	10 Years - (Latest Guide only.)	
Dealer Credit Record	6 Months after last entry.	
Dealer Redrawal Letter	10 Years*	
Financial Statements - Fiscal Interim Personal	10 Years 3 Years 10 Years	
Comparative Spread Sheets	10 Years	
New Business Report Original Report (Yellow Copy) Current Year's Report	10 Years 1 Year (Until next report made unless it is of a credit nature and has direct bearing on the account.)	
Power of Attorney	10 Years*	
Exhibit "A" Letter (Wholesale)	10 Years*	
Miscellaneous		
Agreements (Other than Dealer's)	10 Years*	
Collection Notice Schedule	1 Year	
Credit Investigation Log	90 Days	
Foreign Claim Folders	Indefinite - Based on judgement of potential use as credit information or possible re-referral of same claim.	
Past Due List	90 Days	

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REPORTS

TOPIC DEALER CONDITION

 Date 1-3-62

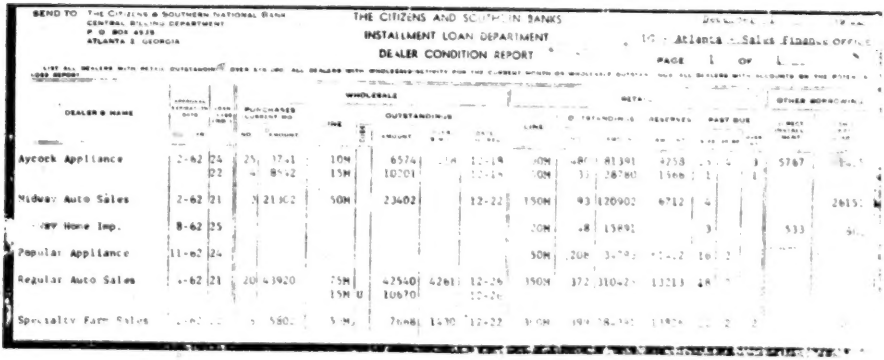
Replaces Bulletin: "GENERAL OPERATIONS - REPORTS - DEALER CONDITION" Dated 9-15-59

The Dealer Condition Report, comparable to our Debtors List on commercial loans, furnishes us with a monthly breakdown of our dealer portfolio. Current month retail volume figures are not shown on the report because that information is furnished by the IBM Dealer Credit Record.

The Dealer Condition Report should be prepared on the last working day of each month and immediately forwarded to the Central Billing Department in Atlanta. It is typed with a special multilith typewriter ribbon on preprinted multilith mats. Blank copies of the report form are available for use in drafting the report before the mat is typed.

PREPARATION OF REPORT To prepare this report, post the Dealer Purchase Guides first (the Purchase Guides will be complete except for current month volume figures and the number of poor risks purchased). As the Purchase Guides are posted, attach a paper clip to each Purchase Guide that is to be listed on Dealer Condition Report. Then, the report can be prepared using the information on those Purchase Guides with paper clips on them.

List on the report all dealers with retail outstandings over $10,000, all dealers with wholesale activity and/or wholesale outstandings, and all dealers with accounts on the Potential Loss Report. If a dealer is listed, show all of the information that applies to that dealer, regardless of the amount.



SEND TO THE CITIZENS & SOUTHERN NATIONAL BANK
CENTRAL BILLING DEPARTMENT
P. O. BOX 4935
ATLANTA 2, GEORGIA

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
DEALER CONDITION REPORT

TO : Atlanta - Sales Finance Office

PAGE 1 OF 1

DEALER'S NAME				WHOLESALE						RETAIL				OTHER WORKING
				LINE	OUTSTANDINGS			LINE	OUTSTANDINGS	RESERVES	PAST DUE			
					NO.	AMOUNT	DATE		NO.	AMOUNT	NO.	AMOUNT	DIRECT LOANS	
Aycock Appliance	2-62	24	25	10M		6574	12-18	50M	480	81391	4258	3	5767	
		22	4	15M		10201	12-14	50M	33	28780	1566	1		
Midway Auto Sales	2-62	21	3	50M		23402	12-22	150M	93	120902	6712	4		2615
CBW Home Imp.	8-62	25						20M	48	15891		3	533	
Popular Appliance	11-62	24						50M	208	31793	1622	16		
Regular Auto Sales	1-62	21	20	75M		42540	12-26	150M	372	310423	13213	48		
				15M U		10670	12-26							
Specialty Farm Sales	1-62		5	5M		7088	12-22	30M	194	58342	1187	2		

Replaces Bulletin: "GENERAL OPERATIONS - REPORT - DEALER CONDITION" Dated 9-15-59

WHOLESALE Wholesale information covers both volume (current month purchases) and outstandings. If a dealer has wholesale outstandings on more than one class of business, list the wholesale separately on the same line with the retail outstandings for the class of business involved (see illustration on page 1).

If a dealer has "used" wholesale, it should be identified in the column labeled CODE by the letter "U". Unless so identified, outstandings will be presumed to be new merchandise. To simplify the reporting of this information, separate controls should be carried in your wholesale ledger if you have more than one category of wholesale.

ORDERING THE REPORT Preprinted Dealer Condition Report mats, special multilith typewriter ribbons, and blank copies of the report form may be ordered directly from the Central Billing Department, Atlanta.

RELATED BULLETINS SALES FINANCE - DEALER CREDIT - APPROVAL OF DEALER LINES
SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REPORTS

TOPIC INDIRECT COLLECTION ACCOUNTS

 Date 1-3-62

Replaces Bulletin: "GENERAL OPERATIONS - REPORTS - INDIRECT COLLECTION ACCOUNTS" Dated 7-20-55

The Report of Indirect Collection Accounts was designed to show all of the accounts outstanding that were purchased in bulk under an indirect collection agreement.

PREPARATION AND SUBMISSION The report is prepared as of the last day of each month. It is typed with a special multilith typewriter ribbon on a preprinted multilith mat so that a copy of the report may be included with each set of month-end reports. Blank copies of the report form are available for use in drafting the report before the mat is typed. The report is mailed along with other month-end reports to the Central Billing Department in Atlanta.

The report shown below illustrates typical situations and should be self-explanatory. The settlement sheets used in all cases should have provisions for showing the volume that applies to the portfolio of paper being purchased. If you are participating in a total control on a percentage basis, the seller should furnish the total volume going into that control. Your volume on the Indirect Collection Accounts Report will be the same percentage of the total volume as your outstandings are of the total outstandings in the control.

THE CITIZENS AND SOUTHERN BANKS

INSTALLMENT LOAN DEPARTMENT

REPORT OF INDIRECT COLLECTION ACCOUNTS — December 31, (Month) — 1A - Marietta Street (Office)

PAPER ORIGINATING FROM	PURCHASED FROM	TYPE OF MDSE.	VOLUME	OUTSTANDING	RESERVE BALANCE	INTEREST RATE	INTEREST COLLECTED THIS MONTH
ATLANTIC DISCOUNT CO. (Contracts purchased direct from originating customer.)	DIRECT	AUTO	273,602	1,064,747	164,520	5	3,190
ABC HOME APPL. (Contracts of a specific customer purchased on a participation basis from another C & S Office.)	C & S - ALBANY	DOM APPL.	1,965	11,490	-----	6	66
GABARDS LIMITED (Contracts of a specific dealer purchased on a participation basis from a correspondent bank.)	CON'L BANK & TR. CRIPPIN FARM EQUIP.		13,500	64,680	28,030	5½	141
TOTAL CONTROL (Contracts of a total portfolio purchased on a participation basis from a correspondent bank.)	FARM & MERCH - MANCHESTER PERS. LOANS		7,825	47,217	1,410	6	196
TOTALS			297,002	1,188,334	190,566		3,687

ORDERING THE REPORT Preprinted Indirect Collection Account mats, blank report forms, and special multilith typewriter ribbons may be ordered from the Central Billing Department in Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERAT'
SUBJECT REPORTS
TOPIC POTENTIAL LOSS
PAGE 1 of 4
1-3-62 DATE

REPLACES BULLETIN: GENERAL OPERATIONS - REPORTS - POTENTIAL LOSS, dated 8-25-54

The Potential Loss Report is a synopsis of past-due Installment Loan accounts as of the end of each month. It provides management, both local and staff level, with a detailed list of accounts that requires special handling or on which a loss is anticipated. The Officer-in-Charge of each department should use his copy of this report daily to follow the progress being made in the collection of accounts in this category.

PREPARATION AND SUBMISSION This report is prepared on a monthly basis by each office. It is typed with a special multilith typewriter ribbon on preprinted multilith mats and must be mailed to the Central Billing Department in Atlanta on the last day of each month. Blank copies of the report form are available for use in drafting the report before the mats are typed.

ACCOUNTS TO BE LISTED

1. All Sales Finance - Domestic accounts over 90 days past due.
2. All other accounts over 60 days past due.
3. All known repossessions - Bank or Dealer Liability - regardless of length of time past due.
4. All accounts on which a charge-off is expected - regardless of length of time past due.
5. All wholesale repossessions.

ORDER OF LISTING List accounts by classification in the same order that the classifications appear on the Statistical Summary Report. Under each Sales Finance classification, list accounts by dealers.

NAME, DEALER, ENDORSER, COLLATERAL The name of the customer, dealer, or endorser should be indicated for each account listed. All collateraliy secured loans must have the collateral at least partially described.

REMARKS In all cases, the remarks should show the reason for non-payment, when payment is expected, and anything else that has a material bearing on the condition of the collateral or liquidation of the account.

REPOSSESSIONS

Statistics covering Bank Liability Repossessions are accumulated centrally from this report. Be sure that all repossessions are properly described in the remarks space using the term Guaranteed for full recourse, Repurchase if you are operating un-

repurchase of merchandise agreement, or Bank Liability if the Bank is to sell the merchandise. Any accounts originally purchased as Guaranteed or Repurchase should be shown as Bank Liability if the dealer is out of business or unable to perform his obligations (including any merchandise in our possession or under our control at a place other than that of the selling dealer).

REPOSSESSIONS SOLD It is not necessary to make a separate report of repossessions sold because you will usually have a loss and a History Sheet (19-905) will be prepared on it. However, if any repossession is sold without a loss, be sure to prepare a History Sheet on it also so that we can clear our repossession log.

TEMPORARY REPOSSESSIONS Occasionally, you will place a car in storage for a customer with the understanding that it is to be released when the account is brought up to date or paid in full. If you have such items in your possession, describe them as "TEMPORARY REPOSSESSION" so that we will not be looking for History Sheets on the accounts. If it develops that a customer cannot retain the car, indicate on subsequent reports that it is a permanent repossession.

WHOLESALE REPOSSESSIONS All repossessed merchandise originally financed on wholesale should be listed at the end of the report. If there are no wholesale repossessions, indicate that fact as follows:

WHOLESALE REPOSSESSIONS

None

NEGATIVE REPORTS If your office has no accounts to be listed on the Potential Loss Report, do not submit a report. In lieu of submitting a report, make the following notation in the upper left-hand corner of the Statistical Summary.

"POTENTIAL LOSS REPORT - NEGATIVE"

ILLUSTRATION OF POTENTIAL LOSS REPORT The report shown on pages 3 and 4 was prepared to illustrate the pattern of listing accounts and to show as many different situations as possible. Each account listed is there for a purpose. Please use the illustrations as a guide in checking your reports and training employees to prepare the report.

ORDERING POTENTIAL LOSS REPORT FORMS Preprinted Potential Loss Report mats, special multilith typewriter ribbon, and blank copies of the report form may be ordered from the Central Billing Department in Atlanta.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
POTENTIAL LOSS REPORT

December 31, 19 61

3A - Macon - Cherry Street OFFICE

PAGE 1 OF 1

NAME & DEALER ENDORSER COLLATERAL	PAYMENTS: DATE LAST PAID	PAYMENTS: AMOUNT	BALANCE: DATE LAST KNOWN	BALANCE: ORIGINAL	BALANCE: PRESENT	AMOUNT OF ANTICIPATED CHARGE OFF	REMARKS (GIVE REASON FOR NON PAYMENT AND PROPOSED METHOD OF LIQUIDATING ACCOUNT)
				OVER-THE-COUNTER			
AUTO							
John B. Arnold (60 Buick 4D)	11-61	49	11-61	1,165	680	200	Bank Liability. Repossessed 11-26. Stored ABC Garage. High bid $680.00.
Mrs. Betty B. Sewell	9-61	18	9-61	225	18	0	Unemployed. Auto sold. Claim under MRI Policy filed 12-15-61.
COLLATERAL							
Elsie Givens (2 Singer Sewing Mach.)	10-61	57	12-61	862	115	0	Bankrupt. Paying $10.00 per month. To be resumed and reworked 1-15-62.
Leonard C. Hopkins (Life Ins. Policy -- C.V. $200)	9-61	37	11-61	450	111	0	Paying in full when sells home, within 10 days. Excessively indebted.
ENDORSER							
Mrs. Robert Allen (Robert Allen)	8-61	11	8-61	133	66	0	Overseas in Army. Promised payment monthly by allotment commencing 1-1-62. To be extended when allotment begins.
J. H. Hannah (G. H. Tyner)	8-61	46	11-61	533	266	0	Maker unemployed. Endorser to pay payment on 1st and 15th each month until caught up.
P.I.							
Starks H. Slaughter	9-61	29	12-61	1,045	606	0	Vacancy in apartment cut down income. Will pay 2 payments per month until up to date.
SIGNATURE							
W. V. Britton	9-61	16	11-61	196	65	65	In hospital. Not eligible for disability insurance. No immediate prospects of payment. Will charge-off in January and handle as salvage.
Sgt. E. J. Grubbs	10-61	48	12-61	289	104	0	In Army. Paying $35.00 each month.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
POTENTIAL LOSS REPORT

December 31, 19 61

3A - Macon - Cherry Street OFFICE

PAGE 2 OF 3

NAME & DEALER ENDORSER COLLATERAL	PAYMENTS: DATE LAST PAID	PAYMENTS: AMOUNT	BALANCE: DATE LAST KNOWN	BALANCE: ORIGINAL	BALANCE: PRESENT	AMOUNT OF ANTICIPATED CHARGE OFF	REMARKS (GIVE REASON FOR NON PAYMENT AND PROPOSED METHOD OF LIQUIDATING ACCOUNT)
				OVER-THE-COUNTER (cont'd.)			
FARM CREDIT							
Mortons Dairy Farm (B/S Inventory & Equip.	10-61	1,492	12-61	20,871	2,053	0	Will catch up payments during January. Refinancing in part with additional security.
L. Lynes Morris (John Deere Tractor)	9-61	619	12-61	1,038	938	0	Will pay by 1-15-62. Expects payment for crop.
AUTO				DEALER FINANCE			
Southern Motor Company C. W. Coleman (57 Oldsmobile 2D)	9-61	45	10-61	534	400	0	Was unemployed - now working. Will be brought up to date by 1-22-62.
W. L. Durant (56 Plymouth 4D)	9-61 10-61	10 35	10-61	351	281	0	Repurchase. Repossessed 12-28-61. Dealer will pay by 1-10-62.
Black Motor Company U. A. Hall (59 Dodge 2D)	1-62	45	12-61	817	277	0	Repurchase, repossessed 11-10-61. Dealer unable to pay in full until resold but has paid 3 past-due payments. Protected by Dealer Reserve.
FHA							
Royce Terminix Co. Edward L. Simpson	10-61	37	10-61	819	745	0	Dissatisfied with work performed. Negotiating with dealer on account. Payment promised by 1-15-62.
FARM							
Farmers Tractor Co. Leroy L. Tanner (Allis Chalmers Trac.)	10-61	1,000	10-60	2,000	1,000	0	Will pay in January from sale of crop.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
POTENTIAL LOSS REPORT

December 31, 19 61

14 - Macon - Cherry Street OFFICE

PAGE 3 OF 3

NAME & DEALER, ENDORSER, COLLATERAL	PAYMENTS: DATE (LOANS PAST DUE, NO. OF)	PAYMENTS: AMOUNT	PAYMENTS: DATE LAST MADE NO. OF	BALANCE: ORIGINAL	BALANCE: PRESENT	AMOUNT OF ANTICIPATED CHARGE OFF	REMARKS (GIVE REASON FOR NON PAYMENT AND PROPOSED METHOD OF LIQUIDATING ACCOUNT)
DOMESTIC				**SALES FINANCE (contd.)**			
Community Gas							
Chas. E. Bennett (Propane System)	9-61	9	10-61	218	27	0	Equipment destroyed by fire. Insurance settlement promised by 1-15-62.
APC Appliance Company							
Charles Corr	8-61	2					
(Dumont TV)	9-61	18	10-61	451	266	0	Bank Liability - repossessed 11-10-61. Dealer reserve sufficient to cover anticipated loss of $150 in resale. Merchandise stored at bank and competitive bids being obtained.
COMMERCIAL							
Foster Machinery Co.							
Butler Lumber Co. (Caterpiller Power Unit)	10-61	239	11-61	2,874	718	0	Purchaser insolvent. Dealer requested to repurchase contract.
P.I.							
Southern Gas Corp.							
Wm. F. Foster	10-61	10					
	11-61	19	12-61	718	446	0	Illness in family - Paying $10.00 twice a month.
				WHOLESALE REPOSSESSIONS			
A.R.C. Appliance Co.							
Philco Refrig. 113716	(1)			181	181	0	Dealer insolvent. Merchandise repossessed 12-20-61 and stored at terminal warehouse. Items marked (1) to be picked up and paid off under distributor repurchase agreement. Items marked (2) to be sold by bank. Reserve believed adequate to cover loss on these items and liquidation of retail.
Philco Range 592548	(1)			163	147	0	
Philco TV 803533	(1)			151	136	0	
Maytag Washer 40056	(2)			163	163	0	
Maytag Washer 65409	(2)			86	77	0	

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS

SUBJECT REPORTS

TOPIC STATISTICAL SUMMARY - INDIVIDUAL

 Date 2-19-69

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REPORTS - STATISTICAL SUMMARY Dated 1-3-62

The Statistical Summary Report is a summary presentation of volume, outstandings, and past dues, by class of business as of the end of each month. It is compiled on a monthly basis by each office. This bulletin was revised to include minor changes in the procedure for preparing the report.

PREPARATION OF REPORT

The report shown below indicates the spaces that each office is to complete on a blank copy of the report and mail to the Central Billing Department on the last day of the month. The Central Billing Department compiles the reports from the various offices and reproduces the complete summary for distribution.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN — INDIVIDUAL
STATISTICAL SUMMARY

January 31, 69
09-01 Albany - Washington Square

	VOLUME		OUTSTANDINGS					PAST DUE AMOUNTS			
	NUMBER	AMOUNT	NUMBER	AMOUNT	PER CENT TOTAL	15-29 DAYS NUMBER	15-29 DAYS PERCENT	30-59 DAYS NUMBER	30-59 DAYS PERCENT	60 DAYS & OVER NUMBER	60 DAYS & OVER PERCENT
CURRENT MODEL											
PREVIOUS TWO YEARS											
OLD MODEL											
TOTAL AUTOMOBILE			1,126	1,585,917		55		4		1	
COLLATERAL			992	[illegible]		27					
ENDORSEMENT			162	[illegible]							
SIGNATURE			521	[illegible]		12		1			
PROPERTY IMPROV'S			174	199,251		4		2			
OTHER PASSENGER			2,375	3,142,935		133		9		1	
AUTOMOBILE			1,276	3,201,021		336		9		2	
PROPERTY IMPROVE			139	[illegible]		[illegible]					
FARM			375	[illegible]		28		2		1	
DOMESTIC			4,016	[illegible]		[illegible]		14		8	
ENDORSE			329	[illegible]		29					
SALES FINANCE			6,905	6,003,259		1,012		25		12	
TOTAL REPAIR			9,280	9,185,874		1,365		34		13	
TRUST SOLD				1,365,846		[illegible]					
NET REPAIR				7,820,249		[illegible]					
TRUST PURCHASED				6,350,000		[illegible]					
OTHERWISE	90	347,139	669	1,451,251		[illegible]					
NET REPAIR			187	1,715,665		[illegible]					29,910
PARTICIPATIONS SOLD TO:				AMOUNT		WHOLESALE - BEFORE BALANCE					
CAB Nat'l Bank, Atlanta				1,365,846		YIELD					
PARTICIPATIONS PURCHASED FROM:				AMOUNT		SERVICE CHARGE COLLECTED					
CAB Nat'l Bank, Atlanta				6,350,000		DEALER RESERVE BALANCE					287,592

INFORMATION SUPPLIED BY EACH OFFICE

1. Number and Amount of Retail Outstandings. This is the gross amount, including any participations that might be sold. Figures should be

rounded off to the nearest dollar; i.e., omit cents. The figures should be taken from the Retail Control Card as of the last day of the month, except where posting is on a delayed basis and it is not possible to post the last day's work and get the report in the mail on the last day of the month. If it is not possible to post the last day's collections, the control figures for the next to the last day may be used. If this is done, also omit the last day's volume.

2. Past-Due Accounts. Count all past dues in each category.

   15-30 ---------Oldest past-due payment maturing from the 1st through the 15th of the current month.

   30-59 ---------Oldest past-due payment maturing in the previous month.

   60 & Over -----Oldest past-due payment maturing prior to the previous month.

   Each account is counted only once in the proper category, depending on the oldest past-due payment. Any shortages of more than one dollar are included in the count just as though the entire payment were past due. Accounts must be considered past due unless payments have actually gone through the teller's cage and will be posted as of the month being reported.

3. Participation Sold. This is the total amount of all Installment Loan - Individual participations sold. The amount of each participation sold and to whom sold should be shown in the space provided.

4. Net Retail. This figure is completed by deducting the participation sold from the total gross retail.

5. Participations Purchased. This is the total amount of all Installment Loan - Individual participations purchased. The amount of each participation purchased and from whom purchased should be shown in the space provided.

6. Wholesale. Using information on your wholesale control, show the number of notes (not items) and the amount of volume and outstandings.

7. Real Estate. Using information on your retail control, show the number and amount of real estate loans outstanding.

8. Earnings - Participations Purchased. Enter the total interest received during the month for Installment - Individual participations purchased.

9. Dealer Reserve. The total dealer reserve (both loss and contingent) should be entered here.

ORDERING STATISTICAL SUMMARY FORM This form may be ordered from the Central Billing Department, Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT WHOLESALE

TOPIC CURTAILMENT BILLING

 Date 9-30-66

New Bulletin

The Statement of Wholesale Curtailment, form #19-957, has been redesigned to simplify the billing and follow-up procedures on curtailments. It is a four-part snap-out form and is illustrated below.

THE CITIZENS & SOUTHERN BANKS

Your Floorplan Note # 2010 Is Due 9-25-66

Present Balance 9-15 1966 Is $ 2378.55

This Note Is Due For Payment:

In Full ☐

Can Be Renewed ☒

For 90 Days Upon Receipt Of:

JOHN JONES APPLIANCES
123 MAIN STREET
ANYTOWN, GEORGIA

10 % Curtailment $ 238.00

Charge $ 59.45

Total $ 297.45

19-957 Rev. 3-66

PLEASE HANDLE PROMPTLY. RETURN THIS NOTICE WITH YOUR CHECK

BILLING PROCEDURES The billing form is to be prepared 10 days prior to the due date of the note. The four parts of the form are to be used as follows:

1. The original (white) is sent to the dealer as a reminder 10 days before the note is due and the three copies are filed for follow-up in 10 days.

2. If the amount billed is not paid on or before the due date, the yellow copy is given to the person responsible for handling the dealer's business for personal follow-up. The two remaining copies are filed for follow-up 10 days later.

3. If the amount billed is not paid within 10 days after the due date, the pink copy is given to the officer-in-charge for conclusive action.

4. The green copy is retained by the wholesale clerk for use as a posting medium.

Note that the form provides for billing charges and interest in advance. Since we do not bill certain types of dealers for charges in advance, the use of the form varies with the type of dealer. These variations are outlined below:

1. Charges and Interest billed in advance - On dealers where charges and interest are billed in advance, the form should be prepared showing the amount of curtailments due and any charges and interest applicable. This would apply to appliance dealers, piano dealers, etc.

New Bulletin

2. Charges and Interest NOT billed in advance - On dealers where charges and interest are not billed in advance, the form should be prepared showing only the amount of curtailments due. Interest and charges on these dealers are to be billed on form #19-958, "Statement of Interest on Wholesale" and the interest is to be computed on the average daily balance method. See Bulletin: "ACCOUNTING & GENERAL OPERATIONS - WHOLESALE - INTEREST BILLING."

A follow-up card should be prepared when the original invoice is floorplanned and should be filed for follow-up 10 days prior to the due date of the note. If the note is renewed, the date on the follow-up card should be changed to a date 10 days prior to the new date of the note.

COMPUTATION OF CURTAILMENTS It is important for the dealer to know the amount of curtailment that will be billed on each individual item floorplanned. However, since our wholesale notes can include more than one item, and since curtailments are billed by note rather than by individual item, the dealer must be furnished with a method of determining the curtailment amount for each item. In order to do this, the curtailment amount for each item is to be computed at the time the Wholesale Ledger Sheet is prepared. The amount is then entered in the shaded block under the "Due Date" heading on the Ledger Sheet. This amount will also appear on the dealer copy of the Ledger Sheet and will give him the exact amount each item is to be curtailed. When it is time to bill the dealer for curtailment, it will be a simple matter to add the curtailment amounts for all items which are unpaid. As individual items are paid off, the curtailment amount shown on the Ledger Sheet for that item should be marked through so that it will not be picked up the next time curtailments are billed.

ORDERING SUPPLIES Your requirements of the Statement of Wholesale Curtailment, form #19-957, may be ordered in the customary manner from the Purchasing Department, Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT WHOLESALE

TOPIC INTEREST BILLING

 Date 12-8-58

Replaces Bulletin: "ACCOUNTING - WHOLESALE - INTEREST BILLING" Dated 2-27-56

The Statement of Interest On Wholesale (19-958) has been revised so that it fits properly in our standard small window envelope (9-333). Guide lines have also been provided to facilitate the folding of the Statement, thus assuring proper alignment with the envelope window.

Wholesale interest should be billed through the 25th of each month using the following procedure.

PROCEDURE

Prepare in duplicate the Statement of Interest on Wholesale, form #19-958, revised 8-58.

1. Bring all control posting up to date through the 25 th of the current month.

2. Type the borrower's complete name and address within the four corner window positioning marks.

3. Type the current month and date in the space provided for "date".

4. Place the form in a wide carriage adding mactine and, from the dealer's control sheet, enter the amounts outstanding each day opposite the appropriate date beginning on the left hand side below the name and address of the dealer listing through the 16th of the month. By moving the carriage to the left and rotating the platen in reverse until the space for the 17th is aligned for printing, the form may be completed. (A comparision of the revised form reproduced on the reverse of this bulletin and the old form will indicate that the method of completing each is exactly the same.)

5. Total these outstanding balances on the line opposite "Total Daily Balance".

6. Divide this total by 30 and enter the result opposite "Average Daily Balance". Regardless of the number of days in the month or the number of days the loan was outstanding, always divide by 30.

7. Multiply the Average Daily Balance by the interest factor applicable. The monthly interest factors for our most common wholesale rates are:

4%	-	.00333
5%	-	.00417
6%	-	.00500

For any other rate, multiply the Average Daily Balance by the rate and divide by 12. Enter the result opposite "Interest Due" and show the rate charged in the space provided.

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS **Page** 2 of 3

SUBJECT WHOLESALE

TOPIC INTEREST BILLING **Date** 12-8-58

E-1087

Replaces Bulletin: "ACCOUNTING - WHOLESALE - INTEREST BILLING" Dated 2-27-56

8. Show in the next two blank lines any flat charges or insurance charges for which the dealer has not been billed.

9. Enter the total amount due in the space at the bottom of the Statement.

10. Enter the Total Amount Due and the date of billing on the dealer's control sheet in the column headed "Interest". When the interest is paid, credit "Interest and Discount - Wholesale" and show the date of receipt on the control sheet.

11. Mail the original statement to the dealer using our standard small window envelope (9-333).

12. Hold the duplicate statement in suspense for follow-up until interest is received from each dealer. After interest is paid, file the duplicate until the next Comptroller's Audit.

Reproduced on Page 2 of this bulletin is a completed sample of the Wholesale Interest Statement. The "Daily Balances" are those that appear on the sample Wholesale Control Sheet on Page 8 of "ACCOUNTING & GEN. OPERATIONS - WHOLESALE - NEW LOANS".

ORDERING SUPPLIES Your requirements of both the Statement of Interest on Wholesale and the standard window envelope may be ordered in the customary manner from the Purchasing Department, Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS

SUBJECT WHOLESALE

TOPIC NEW LOANS

 Date 8-24-61

Replaces Bulletin: "ACCOUNTING - WHOLESALE - NEW LOANS" Dated 3-11-60

For some time we have shown notations of discrepancies or irregularities on Wholesale Checking Reports on the right hand side of the bank's copy of the Wholesale Ledger Sheet. This has made the posting of curtailments in this area of the form very difficult. The Wholesale Ledger Sheet (19-868) now provides adequate space for wholesale checking notations. The boxes in the upper portion of this form which previously referred to "Follow-up Dates" have been changed to indicate:

1. The "DUE DATE" of the Note.
2. The first "RENEWAL DATE".
3. The remaining seven boxes (for subsequent renewal dates) have been left blank so as not to create the impression with the dealer that we invite prolonged renewals.

The entire right hand column (on the bank's copy only) now provides specific space for wholesale checking comments for each item on the Note. (SEE ILLUSTRATION ON PAGE 2.) This change has reduced the number of spaces provided for the posting of curtailments from 8 to 5. Since it is possible for a dealer to maintain any item on floorplan for a total of ten months, additional space for posting curtailments has been provided on the - Extension Wholesale Ledger Sheet (19-877). Whenever any item must be curtailed for the sixth time, the description of the item should be entered on the Extension Ledger Sheet in the same position as on the original Ledger Sheet. (SEE ILLUSTRATION ON PAGE 4.) The Extension Ledger Sheet should then be stapled to the original Ledger Sheet (holes on left will line up when stapled properly) and the curtailment posted in the same manner as on the original Ledger Sheet.

APPROVALS Space is provided on the reverse of the dealer's individual Wholesale Control Sheet (19-867) for notations of wholesale approvals. Indicate the date of approval, name of distributor, number of items, kind of merchandise (range, refrigerator, TV, etc.) and the dollar amount approved. As the corresponding new Notes are posted to the Control Sheet, a line should be drawn through the appropriate approval notation. A completed illustration of the approval side of the Control Sheet is reproduced on Page 10 of this bulletin.

WHOLESALE DISCOUNTING PROCEDURE After approval, wholesale transactions are generally received in the form of an invoice which is to be paid to the distributor or dealer, or the invoice may be enclosed in a draft. Upon receipt of the invoice, the steps for handling are as follows:

1. Compute on the invoice the cash discount, the down-payment and the amount to finance on each item, and the total flat charges per the dealer's approved plan of operation.

   If there is more than one item on an invoice, run an adding machine tape to prove out the total down-payment and the amount

DEALER COPY
INSTALLMENT LOAN DEPARTMENT
WHOLESALE LEDGER SHEET
Show the actual date of your note (the date funds were disbursed)
Number your ledger sheets consecutively (each sheet is one "Page" of a "Paper"... "Page 2 of 3 Pages", etc.
Show the total amount of the note - invoice less down payment
Show the total down payment on this invoice
Show the total dollar amount of the invoice - or the amount disbursed if cash discounts are allowed by the distributor
Use the right hand column to note any discrepancies or irregularities as reported from the wholesale checking report.
Show the dealer's complete name and address if necessary
Show the name of the distributor from whom the merchandise was purchased
In the space for "DUE DATE" insert the date of the initial maturity, or the date on which accounting is to collect finance charges and/or curtailment. The date in the "FINAL DATE" should not be shown until the note is paid in full. It will then be entered for audit. The use of the ledger sheets, you will have a quick reference to those dealers who have unpaid charges or payments.
Show a complete description of each item as it appears on the invoice.
Show the original amount financed below the description of each item, adjacent to the shaded area
Curtailments will start at the left side of the sheet
The balance due on a particular item will always be the last figure to the right
The Dealer's Copy of the Ledger Sheet is the second page of the set, and provides him with a breakdown on each note so that he will know the exact amount due on each item at it is sold
The Note, Security Agreement, & the last page in the set. After each set is typed, it will be necessary to separate the carbon before completing the reverse side. Every Note - Security Agreement must be completed on the reverse side. Filing of a financing statement to perfect the security interest is necessary. However, only one need be filed for a continuing commercial relationship. (For more complete details see Operating Bulletin: "SALES FINANCE - WHOLESALE - COMMERCIAL CODE")

E-1090

to finance. The total amount financed will be the amount of the Note.

2. Prepare the snap-out form, combination Ledger Sheet and Note-Security Agreement (19-868). Reproduced on Page 2 is a sample of the completed Ledger Sheet with explanations of the various spaces. Reproduced on Page 6 is a completed sample of the Note - Security Agreement.

3. Execute the papers.

   A. If the bank has power of attorney, sign the Note - Security Agreement. Send the dealer his copy of the Ledger Sheet and request his check for the down-payment and/or the flat charges.

   B. If the bank does not have power of attorney, send the Note - Security Agreement with the copy of the Ledger Sheet to the dealer. Request that he sign the papers immediately and return them to you with his check for the down-payment and/or the flat charges.

NOTE - Whenever possible, arrangements should be made to charge the dealer's checking account for down-payment and flat charges in order to facilitate the handling of floorplan. Copies of the charge tickets should be sent to the dealer.

4. From the invoice, disburse the funds.

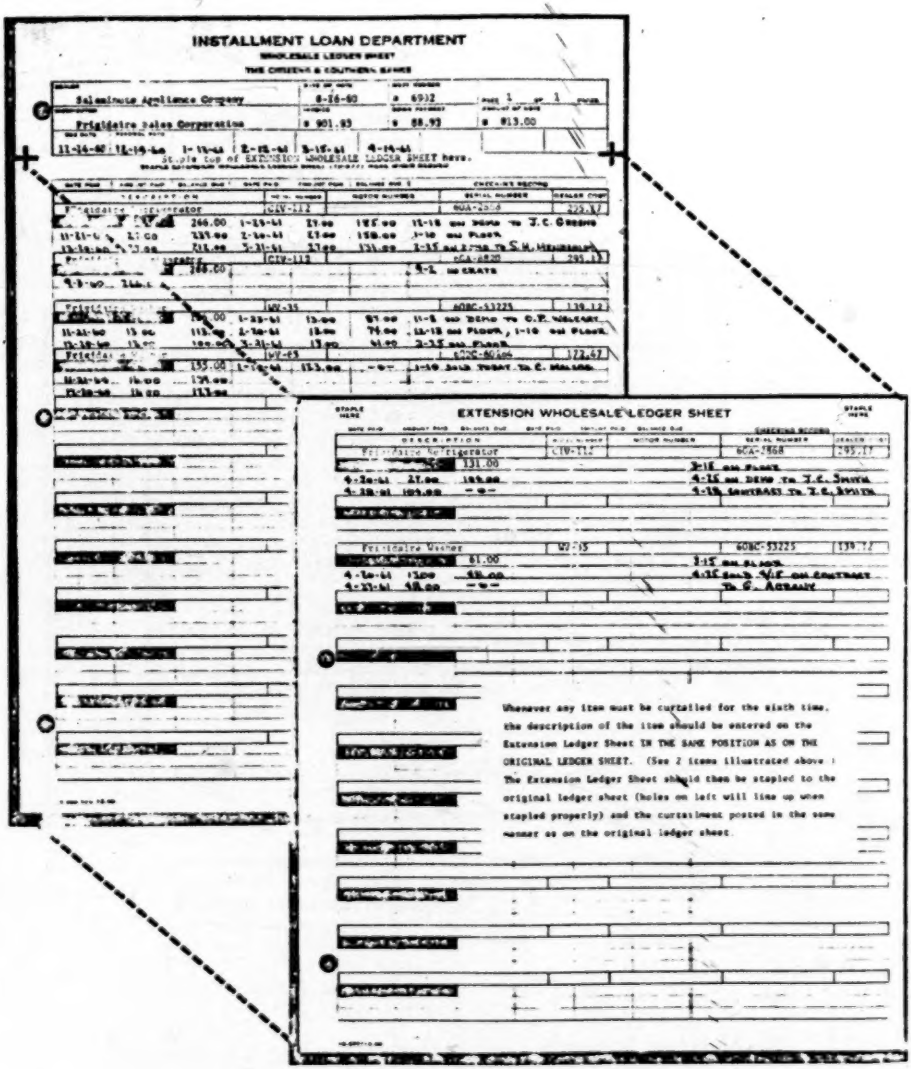
   A. By deposit to the account of the dealer or distributor.

   B. By check to the dealer or distributor.

   C. By an interior transfer to pay for the draft.
      (If items are being financed under a Free Floorplan Agreement whereby the distributor pays the charges in advance, the charges should be deducted from the proceeds.)

5. Prepare entries to the General Ledger using the information on the Ledger Sheet.

   A. If papers have been executed through Power of Attorney,
      Debit "Wholesale" for the amount of the Note.
      Debit "Cash Items, Installment Loans" or the dealer's checking account for the down-payment and/or the flat charges.


INSTALLMENT LOAN DEPARTMENT
WHOLESALE LEDGER SHEET
THE CITIZENS & SOUTHERN BANK
Salesmans Appliance Company
8-26-60
6932
Frigidaire Sales Corporation
$ 901.93
$ 88.93
$ 813.00
11-16-60
12-19-60
1-19-61
2-15-61
3-15-61
4-19-61
Staple top of EXTENSION WHOLESALE LEDGER SHEET here.
EXTENSION WHOLESALE LEDGER SHEET
Frigidaire Refrigerator
CAV-112
GCA-2818
295.17
Frigidaire Washer
W7-15
60BC-53225
139.72
81.00
Whenever any item must be curtailed for the sixth time, the description of the item should be entered on the Extension Ledger Sheet IN THE SAME POSITION AS ON THE ORIGINAL LEDGER SHEET. (See 2 items illustrated above.) The Extension Ledger Sheet should then be stapled to the original ledger sheet (holes on left will line up when stapled properly) and the curtailment posted in the same manner as on the original ledger sheet.

Credit "Interest and Discount - Wholesale" for the charges.

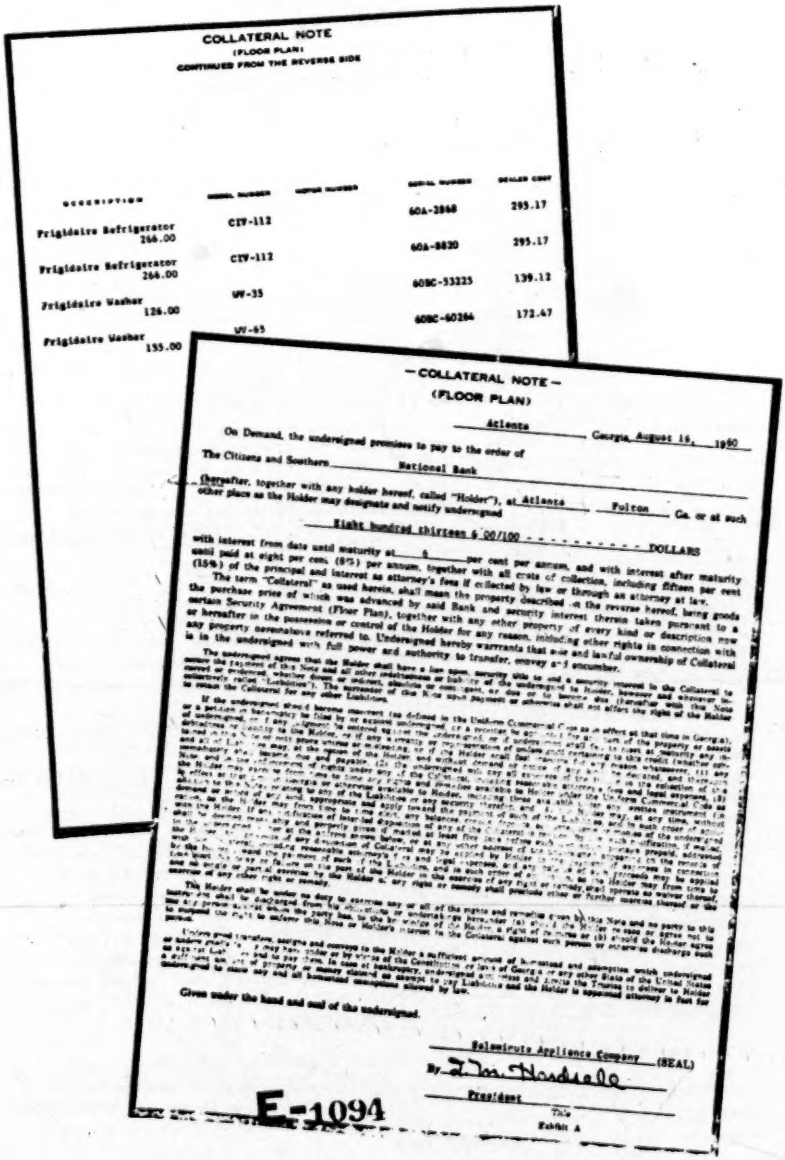
B. If papers have not been executed,
Debit "Cash Items, Installment Loans" for the amount of the Note, down-payment and/or flat charges or Debit "Cash Items, Installment Loans" for the amount of the Note and charge the dealer's checking account for the down-payment and/or the flat charges.
Credit "Interest and Discount - Wholesale" for the flat charges.
Debits to "Cash Items" should be prepared in duplicate using a single debit ticket, with a third copy on a single credit ticket. The debit copy may then be used as a posting media. The credit copy may be used as a follow-up and when the dealer's check is received, may be used as an off-setting entry.

6. Post the Wholesale Control Sheet (19-867) from copies of the General Ledger entries and the Ledger Sheet. Reproduced on Page 8 is a completed sample of the Control Sheet. If "Wholesale" was debited for the amount of Note, enter the amount on both the individual dealer's control and the total "Wholesale" control.

A column has been added to the "Debit" section of "Notes Receivable" so that the "NUMBER OF ITEMS" covered by each Note may be posted. Post this information only on the individual dealer controls. This will, in turn, facilitate the posting of wholesale information to the Experience Record of the Dealer Purchase Guide at the end of each month.

Two "date" columns have been provided on the Control Sheet to enable you to bill interest from the date of disbursement, rather than from the date of your General Ledger entry. On the individual control, show the date in both columns, but in the "General Ledger" column only on the total control. Show the amount of flat charges collected and the date on the individual control. If "Cash Items" was debited, post the amount of the Note on the individual dealer's control only and show the date in the "Note" column.

7. After each entry has been posted to the controls, file the Ledger Sheet behind all the others in the dealer's section of your wholesale book. File the Note - Security Agreement and invoice in the Wholesale Note File. If the papers have been sent to the dealer to be signed, file the invoice in the Note File.



COLLATERAL NOTE
(FLOOR PLAN)
CONTINUED FROM THE REVERSE SIDE

DESCRIPTION	MODEL NUMBER	SERIAL NUMBER	DEALER COST
Frigidaire Refrigerator 266.00	CIV-112	60A-2868	295.17
Frigidaire Refrigerator 266.00	CIV-112	60A-8820	295.17
Frigidaire Washer 126.00	UW-35	60BC-53225	139.12
Frigidaire Washer 155.00	UW-65	60BC-60264	172.47

— COLLATERAL NOTE —
(FLOOR PLAN)

Atlanta, Georgia, August 16, 1960

On Demand, the undersigned promises to pay to the order of

The Citizens and Southern National Bank

(hereafter, together with any holder hereof, called "Holder"), at Atlanta Fulton Ga. or at such other place as the Holder may designate and notify undersigned

Eight hundred thirteen & 00/100 - - - - - - - - - - - DOLLARS

with interest from date until maturity at 6 per cent per annum, and with interest after maturity until paid at eight per cent. (8%) per annum, together with all costs of collection, including fifteen per cent (15%) of the principal and interest as attorney's fees if collected by law or through an attorney at law.

The term "Collateral" as used herein, shall mean the property described on the reverse hereof, being goods the purchase price of which was advanced by said Bank and security interest therein taken pursuant to a certain Security Agreement (Floor Plan), together with any other property of every kind or description now or hereafter in the possession or control of the Holder for any reason, including other rights in connection with any property hereinabove referred to. Undersigned hereby warrants that sole and lawful ownership of Collateral is in the undersigned with full power and authority to transfer, convey a free encumbrance.

The undersigned agrees that the Holder shall have a lien upon, security title to and a security interest in the Collateral to secure the payment of this Note and all other indebtedness or liability of the undersigned to Holder, however and whenever the same shall arise or be incurred, whether direct or indirect, absolute or contingent, or due or to become due (hereafter with this note collectively called "Liabilities"). The surrender of this Note upon payment or otherwise shall not affect the right of the Holder to retain the Collateral for any other Liabilities.

If the undersigned should become insolvent (as defined in the Uniform Commercial Code as in effect at that time in Georgia), or a petition in bankruptcy be filed by or against undersigned, or if a receiver be appointed for any part of the property or assets of undersigned, or if any judgment be entered against the undersigned, or if default be made in the payment of any sums payable hereunder when due, or if default be made in the performance or observance of any agreement or covenant of undersigned contained herein or in any other instrument or agreement executed by undersigned in connection herewith, or if any warranty or representation of undersigned herein or in connection herewith shall be false in any material respect, or if undersigned shall fail to pay any taxes, assessments or insurance premiums when due, or if undersigned shall fail to keep the Collateral free from all claims, liens and encumbrances of every kind, nature and description, except the lien of this Note and the security interest granted herein, or if undersigned shall sell, transfer, assign, encumber or dispose of any of the Collateral without the prior written consent of Holder, or if undersigned shall fail to keep the Collateral insured against such risks, in such manner and for such amounts as Holder may require, or if undersigned shall fail to deliver to Holder any insurance policy or certificate thereof required by Holder, or if undersigned shall fail to keep the Collateral free from all taxes, liens, security interests, encumbrances and claims, or if undersigned shall fail to perform any of the Liabilities, or if any of the Collateral shall be lost, stolen, destroyed, damaged or substantially decreased in value, or if Holder shall in good faith deem the prospect of payment of any of the Liabilities impaired, or if any of the Collateral shall be seized or taken by any governmental authority, or if undersigned shall die or cease to do business as a going concern, then, in any such event, all of the Liabilities shall, at the option of the Holder and without demand, notice or advertisement of any kind to undersigned, immediately become due and payable, and undersigned hereby authorizes and empowers Holder to sell, assign and deliver the whole or any part of the Collateral (after demanding performance or otherwise exercising all rights and remedies available to Holder under the Uniform Commercial Code as in effect at that time in Georgia or otherwise available to Holder by law or agreement) at any public or private sale, with or without advertisement, for cash, on credit or for future delivery, at such time or times, at such place or places, and upon such terms as Holder may deem commercially reasonable, irrevocably waives any and all demands whatsoever, and hereby authorizes Holder or anyone acting for it to purchase or become the purchaser at any such sale, free from any right of redemption, which right is hereby expressly waived and released by undersigned, and undersigned hereby further authorizes and empowers Holder to apply the proceeds of any such sale, after deducting all costs and charges, including reasonable attorneys' fees and legal expenses, incurred by Holder in connection with the sale, collection or other realization upon the Collateral, and all costs and charges incurred by Holder in connection with the protection of the Collateral, to the payment of the Liabilities in such manner and order as Holder may from time to time elect, whether or not all of the Liabilities are then due and payable, and undersigned shall remain liable to Holder for any deficiency remaining unpaid after such application, and undersigned hereby authorizes and empowers Holder to apply any balances, credits, deposits, accounts or moneys of undersigned in the possession of Holder to the payment of the Liabilities, whether or not then due, and undersigned hereby grants to Holder a lien and security interest in all such balances, credits, deposits, accounts and moneys for the purposes aforesaid. Undersigned agrees that Holder may from time to time, without notice to undersigned, extend or renew this Note for a period or periods of time, whether longer or shorter than the original period of this Note, or grant other indulgences to undersigned in respect thereof, or modify or amend the terms of payment or any of the terms and conditions of this Note, or grant releases, compromises or indulgences with respect to any Collateral for the Liabilities to any endorsers, guarantors or sureties, or release any of the Collateral, all without notice to any endorsers, guarantors or sureties and without affecting the liability of undersigned or any endorsers, guarantors or sureties for the Liabilities, except to the extent that the Liabilities may be lessened thereby. Undersigned agrees that Holder may from time to time, without notice to undersigned, apply any payments received by Holder to any of the Liabilities, whether or not then due, in such manner and order as Holder may determine, and undersigned agrees that Holder may, at any time, without notice to undersigned, apply any and all balances, credits, deposits, accounts or moneys of undersigned in the possession of Holder to the payment of the Liabilities, whether or not then due, and undersigned hereby grants to Holder a lien and security interest in all such balances, credits, deposits, accounts and moneys for the purposes aforesaid.

This Note shall be under no duty to exercise any or all of the rights and remedies given by this Note and no party to this Note shall be deemed to be a party to any waiver or undertaking unless the same shall be in writing and signed by the party so waiving or undertaking. No waiver by Holder (a) of any right or remedy on any occasion shall be a bar to the exercise of the same or any other right or remedy on any future occasion, or (b) of any breach shall constitute or be deemed a waiver of any subsequent breach whether of the same or of a different provision of this Note, and no failure to exercise, or delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by the Holder of any right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

Undersigned agrees and convenes to the Holder a sufficient amount of homestead and exemption which undersigned or any part of Land is entitled to claim or by virtue of the Constitution or laws of Georgia or any other State of the United States or any part of Land is entitled to claim or by virtue of the Constitution or laws of Georgia or any other State of the United States in case any part of Land shall be levied upon by reason of bankruptcy, undersigned or any other party liable for the Liabilities hereby waives all claim against Holder for damages caused by such levy and all homestead exemptions allowed by law.

Given under the hand and seal of the undersigned.

Palmetrute Appliance Company (SEAL)

By J. M. Woodall

President

Title

Exhibit A

E-1094

8. When the check is received from the dealer for the down-payment and/or the flat charges, use the credit to "Cash Items", prepared in step 5, as your off-setting entry.

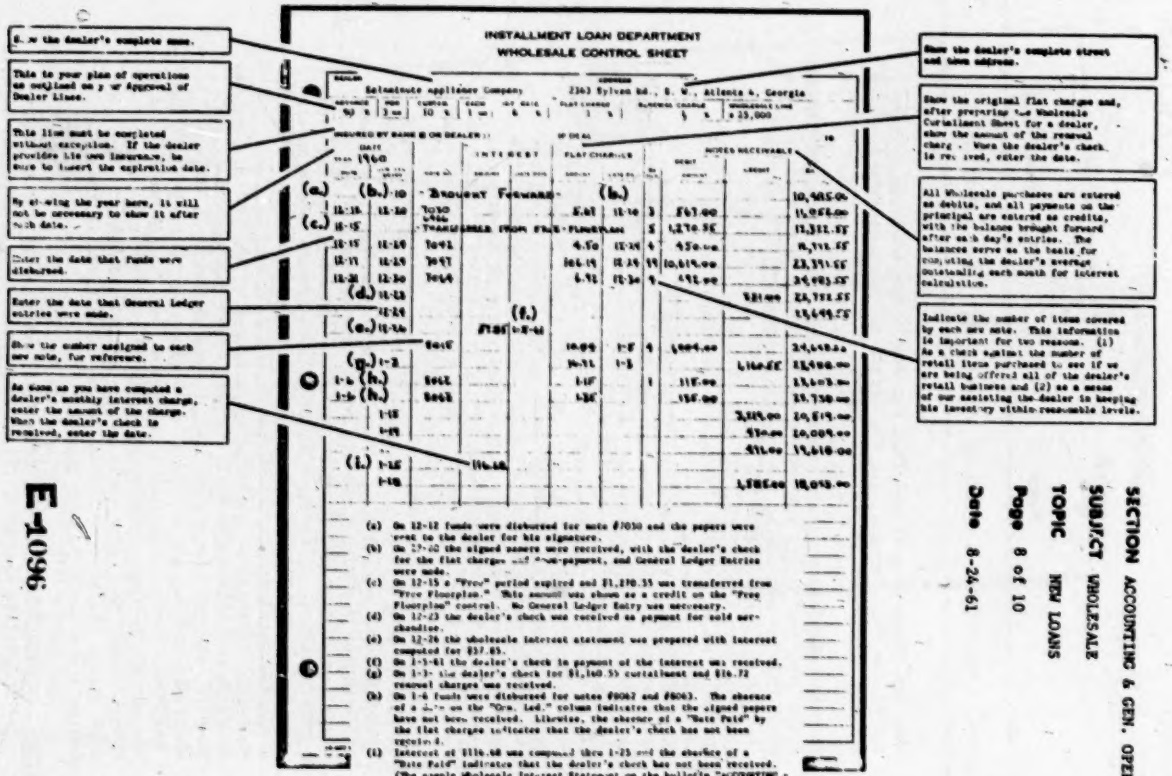
9. When the signed papers are returned by the dealer with his check, debit "Wholesale" for the amount of the Note. This debit and the check will be off-set by the credit to "Cash Items". At this time, post the amount of the Note to the total control and also show the date in the "General Ledger" column on the individual control. File the Note - Security Agreement with the invoice.

10. Free floorplan Notes are handled in the same basic manner as other wholesale Notes. However, all debits and credits should be marked "Free Floorplan" to facilitate accurate control posting. A separate Control Sheet should be set up for each dealer with free floorplan and all Ledger Sheets should be marked "Free Floorplan" in the upper right hand corner. At the end of the "free" period, these Ledger Sheets should be transferred to the dealer's regular wholesale section. The balance on the transferred Ledger Sheets should be shown as a debit to the dealer's "regular" control, and as a credit to his "free" control. No General Ledger entry will be necessary.

11. If a dealer has "used" wholesale, all such merchandise should be floorplanned on separate Notes and Ledger Sheets from those covering "new" merchandise. Such Notes are handled in the same basic manner as other wholesale Notes, but all debits and credits should be marked "used floorplan" to facilitate accurate control posting. A separate control sheet should be set up for each dealer with "used" floorplan and all Ledger Sheets should be marked "used floorplan" in the upper right hand corner. Wholesale postings to the Experience Record of the Dealer Purchase Guide should be for the total of both "new" and "used" wholesale. However, when completing the monthly Dealer Condition Report, wholesale information on those few dealers having both "new" and "used" wholesale (they will be apparent from the Approved Lines section of the Experience Record side of the Dealer Purchase Guide) should be listed separately as "new" and "used". In such cases, the information should be taken directly from the dealer's Wholesale Control Sheets.

RELATED BULLETINS ACCOUNTING & GENERAL OPERATIONS - GENERAL LEDGER ACCOUNTS
ACCOUNTING & GENERAL OPERATIONS - WHOLESALE - INTEREST BILLING
ACCOUNTING & GENERAL OPERATIONS - REPORTS - DEALER CONDITION
SALES FINANCE - BOAT AND MOTOR FINANCING

E-1096



INSTALLMENT LOAN DEPARTMENT
WHOLESALE CONTROL SHEET

Enter the dealer's complete name.

This is your plan of operations as outlined on your approval of Dealer Lines.

This line must be completed without exception. If the dealer provides his own insurance, be sure to insert the expiration date.

By entering the year here, it will not be necessary to show it after each date.

Enter the date that funds were disbursed.

Enter the date that General Ledger entries were made.

Show the number assigned to each new note, for reference.

As soon as you have computed a dealer's monthly interest charge, enter the amount of the charge. When the dealer's check is received, enter the date.

Show the dealer's complete street and town address.

Show the original flat charges and, after preparing the Wholesale Curtailment Sheet for a dealer, show the amount of the renewal charge. When the dealer's check is received, enter the date.

All Wholesale purchases are entered as debits, and all payments on the principal are entered as credits, with the balance brought forward after each day's entries. The balances serve as the basis for computing the dealer's average outstanding each month for interest calculation.

Indicate the number of items covered by each new note. This information is important for two reasons. (1) As a check against the number of retail items purchased to see if we are being offered all of the dealer's retail business and (2) as a means of our assisting the dealer in keeping his inventory within reasonable levels.

(a) On 12-12 funds were disbursed for note #7030 and the papers were sent to the dealer for his signature.
(b) On 12-20 the signed papers were received, with the dealer's check for the flat charges and down-payment, and General Ledger Entries were made.
(c) On 12-15 a "Free" period expired and $1,270.35 was transferred from "Free Floorplan." This amount was shown as a credit on the "Free Floorplan" control. No General Ledger Entry was necessary.
(d) On 12-23 the dealer's check was received as payment for sold merchandise.
(e) On 12-26 the wholesale interest statement was prepared with interest computed for $37.85.
(f) On 1-3-61 the dealer's check in payment of the interest was received.
(g) On 1-3- the dealer's check for $1,140.55 curtailment and $16.72 renewal charges was received.
(h) On 1-4 funds were disbursed for notes #8062 and #8063. The absence of a date on the "Ore. Ind." column indicates that the signed papers have not been received. Likewise, the absence of a "Date Paid" by the flat charges indicates that the dealer's check has not been received.
(i) Interest of $116.48 was computed thru 1-25 and the absence of a "Date Paid" indicates that the dealer's check has not been received. (The sample Wholesale Interest Statement on the bulletin "ACCOUNTING - WHOLESALE - INTEREST BILLING," shows how the $116.48 was computed, using the balances on this Control Sheet.)

The total of the balances on each dealer's Ledger Sheets should agree with the balance on his Control Sheet.

To reconcile the balances on the individual dealer controls with the Total Control, list the balances and debit any notes which are not dated to the "Ore. Ind." column. (See "a" above.)

Replaces Bulletin: "ACCOUNTING - WHOLESALE - NEW LOANS" Dated 3-11-60

RELATED BULLETINS (cont'd.)

SALES FINANCE - APPLIANCE FINANCING - WHOLESALE
SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD
SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
SALES FINANCE - FARM EQUIPMENT FINANCING - WHOLESALE
SALES FINANCE - UNIFORM COMMERCIAL CODE - WHOLESALE
SALES FINANCE - WHOLESALE

Indicate **DROP SHIPMENTS** as shown. Occasionally a distributor will make one or more partial shipments on a large approved order, invoicing as shipments are made. Reduce the amount of the approval accordingly by the invoices as they are discounted.

Fill-in completely when an approval is made.

Draw a line through the approval when the corresponding new note is posted to the Control Sheet.

WHOLESALE APPROVALS

DATE OF APPROVAL	NAME OF DISTRIBUTOR	NO. OF UNITS	MERCHANDISE	AMOUNT
11-16-61	Bone Distributing Co	4	TVs	600
11-15-	Bone Distributing Co	10	Ranges	1735
		15	Washers	3165
		10	TVs	6000
		4	Ranges	700
11-17-61	Frigidaire Sales	4	Ranges	952
		3	Washers	765
11-16-61	Frigidaire Sales	4	Refrigerators	1145

Decisions of approvals are necessary so that a dealer's wholesale line is not inadvertently reduced by closing the control sheet with a balance of (for example) one washer, approved can, as SEE Line, know the amount of a dealer's wholesale line which is in use, and close the unused portion (when making additional approvals).

E-1098

CONSUMER CREDIT OPERATING BULLETIN INDEX*

COLLECTIONS III 3-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
OTC,SF,CAS	BANKRUPTCY & CHAPTER XIII		8-28-70
OTC,SF	COLLECTION CARD		10-01-70
OTC,SF	COLLECTIONS	COLLECTION SUMMARY SHEET	12-26-69
OTC,SF,CAS	CONSUMER CREDIT COUNSELING SERVICE	(See Lending General)	
OTC,SF,CAS	CREDIT BUREAUS	NOTIFICATION SERVICE	7-18-68
OTC,SF,CAS	EMPLOYERS	RIGHT TO CONTACT	12-18-61
OTC,SF	EXTENSIONS		12-27-67
OTC,SF,CAS	FOREIGN CLAIMS	REFERRED BY OTHER BANKS	5-07-70
OTC,SF,CAS	FOREIGN CLAIMS	REFERRAL TO OTHER BANKS,AGENCIES	5-06-70
OTC,SF	LATE CHARGES		6-29-70
OTC,SF,CAS	LOSSES	CHARGE OFF POLICY	6-22-70
OTC,SF,CAS	LOSSES	CHARGE OFFS - PROCEDURE & HISTORY SHEET PREPARATION	3-27-69
OTC,SF,CAS	MILITARY PERSONNEL	SOLDIERS'AND SAILORS' CIVIL RELIEF ACT	3-31-69
OTC,SF	NOTICES		6-15-70
OTC,SF	NOTICES	ADJUSTORS CALL	6-12-70
SF	OUTSIDE ADJUSTOR'S DAILY PERFORMANCE REPORTS		10-30-56
SF	OUTSIDE ADJUSTOR	REPORT OF ADJUSTMENT	10-20-61
OTC,SF	PAST DUE LIST		7-09-70
OTC,SF	REPOSSESSIONS	BILL OF SALE	4-19-68
OTC,SF	REPOSSESSIONS	INSURING OF	9-08-64
OTC,SF	REPOSSESSIONS	RECEIPT FOR MORTGAGED PROPERTY	9-06-57
OTC,SF	REPOSSESSIONS	SALE OF	1-12-68
OTC,SF	REPOSSESSIONS - SALES FIN.	DEFICIENCY CLAIMS	9-01-67
OTC,SF	REVISION AGREEMENT		8-09-69
OTC,SF	REWORKING FOR COLLECTION PURPOSES		2-24-67
OTC,SF,CAS	RIGHT OF SET-OFF		1-24-69
OTC,SF,CAS	SKIPS	LIST OF MOTOR VEHICLE REGISTRATION OFFICES	3-12-68
OTC,SF,CAS	SKIPS (P.768 Rev. 1/18/71)	LOCATION OF	11-18-69

*Information on how to use guide, indexes, and bulletins is on the pink page in Section I.

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII **Dated** 2-12-68

The number of personal bankruptcies continues to increase. This increase is caused by deficiency judgments, collection pressure, poor money management, decrease in income, marital difficulty, and poor credit control, due to over-lending and incomplete investigation. Bankruptcies require special handling to be certain that all collection possibilities are considered. This bulletin does not attempt to cover all of the complexities of Bankruptcy law, but is intended to give a basic understanding of procedures that will help in assisting our attorney and in salvaging our loan wherever possible.

DEFINITION

Bankruptcy is a legal proceeding, whereby an insolvent person, partnership, or corporation may file a petition or a petition may be filed by creditors in U. S. Court, asking the Court to take all pledged assets and distribute to secured creditors and distribute the remaining eligible unpledged assets among all creditors and discharge the debtor from his obligations. The debtor is restricted to bankruptcy once every six years. Insolvency in bankruptcy is defined from a balance sheet concept, namely that the debtor's liabilities exceed assets, and not that the bankrupt must be totally without assets.

TYPES OF PETITIONS

I. The voluntary petition is filed by the debtor and includes the following items:

   A. Petition filed with the clerk of the District Court.

   B. A complete schedule of all debts and assets.

   C. Filing of a "Statement of Affairs", which asks a series of questions answered by the bankrupt under oath relative to his past financial operations.

   D. The Court probably will issue an order restraining any further creditors' action against the bankrupt. Whether such an order is issued or not, the debtor's property is subject to control by the Bankruptcy Court, and we will have to deal with the Court or its appointed trustee at the outset. This applies to all creditors.

   E. On filing the petition, the debtor is adjudicated a bankrupt. Adjudicated in this sense is a technical legal term, and does not mean the final determination of the issue since the debtor is not discharged from bankruptcy until a creditor's meeting is held. The matter is then turned over to the referee in bankruptcy, a special officer of the court. This process is almost automatic, since the referee has no discretion to decide whether or not a bankruptcy is necessary, equitable, or the best solution to the debtor's financial difficulties.

II. The other type of bankruptcy petition is the involuntary petition. This petition may be filed by one or more creditors, usually facilitated by some action of the debtor which enables the creditors to file the petition, such as:

A. Concealment of property, for example by a fraudulent transfer to another.

B. Preferring a creditor.

C. Attachment of property by another creditor.

D. General assignment for the benefit of the creditors.

E. Permitting a receiver to be appointed.

F. Admission of inability to pay debts.

NOTIFICATION

We usually learn of a bankruptcy in one of three ways: (1) the customer advises us of his action, (2) through trade reports, or (3) from the Referee in Bankruptcy sending a notice of bankruptcy and first meeting of creditors. ANY FORM OF NOTICE TO THE CREDITOR IS SUFFICIENT LEGAL NOTICE.

CUSTOMER CONTACT

Page 3 shows a copy of the restraining order that accompanies a notice of bankruptcy. Paragraphs 3 and 5 make clear that harassment by telephone violates this order. Our position is that a simple telephone contact, conducted with courtesy, for the sole purpose of asking the customer if he intends to reassume, is not harassment. Under no circumstances are we allowed to try to collect the debt or badger the bankrupt in any way. If the customer has any objection at all, we must terminate the conversation, and make no further direct contacts. If the bankrupt refers us to his attorney, we should contact his attorney and carry on any further conversation prior to the first meeting of creditors with that attorney. Many of our customers actually do reassume their obligations with us, and they don't mind expressing this intention. This is all we need to know to guide our actions. This has been our policy over the years - we do not feel it violates the intent of the law, and we have had no serious problems to arise from such handling.

Contacts with the bankrupt prior to the first meeting of creditors should not be made in writing. Remember that each day's delay lessens the chances that our customer will agree to reassume.

Always indicate in the collection folder the results of contacts with the bankrupt which will assist the Recovery Officer in the event of charge-off.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN THE MATTER OF: THE BANKRUPT, AND THE BANKRUPTCY NAMED IN THE ENCLOSED NOTICE:

It appearing that the above named has been adjudged a bankrupt and that his bankruptcy proceeding is now pending and that it is necessary to preserve the present status of said bankruptcy with respect to all of his creditors and as to the property and other assets of the bankrupt until the first Meeting of Creditors is held, it is accordingly

CONSIDERED AND ORDERED that until further order of this Court all creditors and other parties hereto are temporarily restrained and enjoined from the institution and prosecution of foreclosure actions, suits, seizures and legal actions of any kind against the bankrupt herein, or against any property owned by or in the possession of said bankrupt including the institution and prosecution of garnishment proceedings and the receipt by any creditor of any sums of money impounded or withheld in any garnishment proceeding, except as allowed by an order of this Court.

All creditors and other parties hereto are further restrained from harassing the bankrupt or any member of his family by contacting the bankrupt personally, by telephone or otherwise and from contacting the employer of the bankrupt with respect to any debt owing by the bankrupt to any creditor until the First Meeting of Creditors has been held herein.

FURTHER ORDERED that the bankrupt herein is hereby restrained and enjoined from transferring, secreting or encumbering any of his property or other assets and from reassuming any obligations until the first meeting of creditors in this proceeding has been held and it is

FURTHER ORDERED that the parties restrained hereby show cause before this Court at the time and place of the First Meeting of Creditors herein why a temporary injunction should not issue restraining all creditors and other parties from harassing the bankrupt or any member of his family by telephone, personally or otherwise, and from contacting the employer of the bankrupt with respect to any debt owing by the bankrupt to any creditor during the pendency of this proceeding. It is

FURTHER ORDERED that the creditors of the bankrupt show cause before this Court at the time and place of the First Meeting of Creditors why an Order should not be entered staying the institution or prosecution of civil actions of any kind or nature against the bankrupt until such time as a discharge has been granted or denied to the bankrupt.

Dated at Atlanta, Georgia, as of the date of accompanying notice.

REFEREE IN BANKRUPTCY

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII Dated 2-12-68

CREDITORS' MEETING

After the filing of the bankruptcy petition, a meeting of creditors is held to afford creditors' attorneys an opportunity to question the bankrupt concerning his assets. If this is an asset case, the referee appoints a trustee to dispose of the assets.

As a practical matter, most personal bankruptcies are "no asset" cases. This is because most of the property the bankrupt holds is either pledged under Conditional Sales Contract, or chattel mortgage with the remaining personal property set off as exempt under state law, such as the Georgia Homestead Exemption is to protect a portion of the debtor's personal property from any attachment by creditors. Thus, the debtor is not made a complete pauper.

PROCEDURES

UPON NOTICE OF FILING OF BANKRUPTCY, THE FOLLOWING THREE STEPS SHOULD ALWAYS BE TAKEN: (These three steps are the same for any type of bankruptcy).

I. Verify that the customer is actually bankrupt unless we have received a notice from the court. Verification should be made by contacting the customer's attorney, or phoning the office of the Referee in Bankruptcy.

II. Gather all the documents and memoranda relative to the bankrupt's debt. This includes calling CIF, and all locations necessary to get the complete debt picture.

III. In Atlanta, call the Recovery Officer, unless the notice was sent from Recovery Department. This will be apparent if Central Recovery's stamp appears on the copy of the notice. Outside Atlanta, Call the Senior Consumer Credit Officer in your city.

STRAIGHT BANKRUPTCY

WHERE UNSECURED CREDIT ON A STRAIGHT BANKRUPT IS INVOLVED, THE FOLLOWING ADDITIONAL STEPS SHOULD BE TAKEN:

I. Contact the customer to ask about his intention to reassume. In all unsecured cases, we should ascertain whether the customer intends to reassume our debt.
   A. If he is uncertain about the matter, follow-up may be made at a later time agreed by both parties.
   B. If customer agrees to reassume, secure a signed reassumption note.
   C. If customer does not wish to reassume, (1) contact Recovery Officer to determine value of filing claim, (2) submit for charge-off.

WHERE SECURED CREDIT ON A STRAIGHT BANKRUPT IN INVOLVED, THE FOLLOWING ADDITIONAL STEPS SHOULD BE TAKEN:

I. Call the Recovery Officer.
II. Determine in this conversation whether we want a reassumption or recovery of the collateral.

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII **Dated** 2-12-68

NOTE: Prior to the first meeting of creditors, the bankrupt may voluntarily release the collateral to us. Remember that we should always obtain a receipt for mortgaged property.

At the first meeting of creditors, the bankrupt has one of two choices concerning collateral. Either the bankrupt may publicly declare that he reassumes his debt, or the creditor is allowed to petition the court for a reclamation and release of the collateral. If the value of the collateral exceeds our debt, the trustee may wish to retain the collateral for sale and liquidate our debt from the sale of the collateral.

III. Arrange for collateral to be recovered or reassumption notes to be signed IMMEDIATELY AFTER THE HEARING AT THE CREDITORS MEETING, if this was predetermined as our desired course of action.

If for any reason the bankrupt refuses to release the collateral, other action is available to us. Discuss this situation with your Recovery Officer.

CHAPTER XIII - "WAGE EARNERS"

Since 1938, a less drastic form of bankruptcy has been available to the financially embarrassed debtor. Chapter XIII, also known as the Wage Earners Plan, may be filed by any person whose principal income is derived from wages or salaries. The purpose of this plan is to effect a compromise reduction in debt and/or extension of time for payment of debts, out of future earnings or wages for a period of thirty-six months. Upon confirmation of the plan by all secured creditors and a majority of unsecured creditors, it becomes binding on all parties.

Upon acceptance of the plan by the requisite number of creditors, the court confirms the plan and appoints a trustee to administer the funds. The trustee actually takes jurisdiction of the debtor's future earnings until he is discharged. If the debtor then pays money to creditors outside of the Wage Earners Plan, the trustee can demand that the money be paid to him for equal distribution to other creditors. If the trustee ceases to remit funds, the status of our loan should be determined by contacting the trustee.

The debtor is ordered not to incur further debt so long as he is in this plan. This should keep the overload from getting even worse.

UNSECURED CREDIT

It is our policy to accept a Wage Earner Plan for all unsecured debt. After taking the three steps common to all bankrupt account procedures outlined on page 4, these steps should be taken on an unsecured Wage Earner Plan:

I. File a written proof of the claim to serve as our acceptance of the plan.
II. Place a copy of the proof of claim in the customer's folder.
III. Submit for charge-off.

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII - Dated 2/12/68

SECURED CREDIT

It is our policy to accept all Wage Earners Plans for secured obligations where the amount of repayment is sufficient to offset depreciation of the collateral. In cases where payments are too small to offset depreciation, confer with the Recovery Officer as to course of action. We will recover the collateral in most of these instances.

There will be some cases, however, where the recovery of collateral (resulting in a deficiency balance)will be secondary to the advisability of going along with the plan to receive the full amount of the debt. If a Chapter XIII is not confirmed, the case generally goes into straight bankruptcy and our position should be judged accordingly. To accept (confirm) the Plan for secured debt, take the three steps common to all bankrupt account procedures outlined on page 4, and:

I. File a written proof of claim to serve as our acceptance of the Plan.
II. Place a copy of the proof of claim in the customer's folder.
III. Free extend so the next payment will be due five months after the date of first meeting of creditors.

DEALER LIABILITY

Certain Sales Finance and CAS accounts are on recourse to dealers. Generally, upon notification of bankruptcy, these accounts should be charged back immediately to the dealer, with the bankruptcy notice accompanying the "charge-back" letter. Because of widely varying dealer agreements and considerations, however, this should not be done automatically, but only after departmental management's review and concurrence.

TRUSTEE'S RIGHTS

The trustee may set aside liens obtained within four months of the petition in bankruptcy, provided that at the time the bankrupt was insolvent. In addition, the trustee has a duty to set aside any security interest which is vulnerable to attack for reasons such as fraud, lack of value, or failure to file. Unless the bank filing policy dictates otherwise, we must always perfect our lien as required by the Uniform Commercial Code. Again, the security taken should be fully and accurately described in the filing statement to avoid all possibility of another lienholder or the trustee taking precedence to the property.

EMPLOYMENT OF ATTORNEY

Bankruptcy is a highly technical legal subject. Despite the fact that an attorney is often needed, many questions occur in bankruptcy proceedings which can be handled by our Recovery Officer, or by the senior consumer loan officer in the area. These men should be consulted first, rather than automatically involving an attorney.

Here are some situations where employment of an attorney is advisable:

A. Only attorneys may question the bankrupt at the first meeting of creditors. Thus, a bank representative attending the first creditors' meeting would get

very little information with the exception of learning who is appointed trustee, if one is appointed, and gathering information from listening to other creditors' attorneys examination of the bankrupt. However, if fraud is suspected, an attorney should be used to question the bankrupt at the hearing.

B. An attorney should be employed where there is a trustee's action to set aside a bank claim to its security.

C. An attorney should be employed where the bankrupt attempts to resist our right to reclaim collateral.

It is not suggested that anyone act as his own attorney. After consultation with your Recovery Officer, or senior consumer credit officer, if we determine that it is in the bank's interest to raise an issue about the bankruptcy, then consult an attorney. This is often a matter of judgment, depending on the individual fact situation.

RIGHT OF SET-OFF

Normally, our notes give us a right of set-off of bank accounts, or other property in the hands of the bank, when in existence prior to the date of the petition in bankruptcy. Where that right exists, we may do the following:

A. Set off bank balances on deposits for any portion of the debt which can be set off. This applies to any unsecured debt which we may have.

B. Set off unsecured debt against any secured transactions in which we have collateral in excess of the note amount. For example, suppose a customer bankrupts against a $500 automobile loan secured by an auto worth $750, and has a CAS balance of $300. We should set off the $250 coverage in the value of our collateral against the unsecured CAS line. In any instances where the value of our collateral exceeds the amount of our loan, the trustee in bankruptcy has a right to reclaim the collateral for any of the excess amount.

DEBT COUNSELING SERVICE

Bankruptcies represent a small portion of our collection problems. However, it is necessary to be able to deal with the problem effectively as it occurs. In counseling with a debtor considering this step, we should always recommend a Debt Counseling Service, if available. Otherwise, it would be better from our standpoint if the debtor considers Chapter XIII, rather than straight bankruptcy, since we may be able to recover all or a part of our debt under this method. See LENDING GENERAL-CONSUMER CREDIT COUNSELING SERVICE.

CHARGE-OFFS

Bankrupts and Chapter XIII Wage Earner Plan accounts will be charged off at the earliest practical date after the first meeting of creditors. Bankruptcy claims should be filed prior to charge-off, and a copy of the claim should be placed in the customer's file. There will be some instances in which we will continue

carrying an account after bankruptcy has been filed. These will be where we are well secured, and a proper reassumption has been made, and where the proposed payment schedule very nearly approximates the existing terms.

REASSUMPTION

A bankrupt may reassume liability for his debts. Occasionally a customer who is bankrupt against a specific debt feels morally obligated to the bank to repay. After the adjudication date, the debt may be reassumed as shown:

SITUATION	METHOD OF REASSUMPTION
No change in terms or collateral:	Get Reassumption Agreement (19-2010) signed. This allows us to retain our lien priority.
Change in terms or collateral:	Sign a new note. In addition to signing the new note, the borrower should sign the following statement typed on the bank of the new note. "This note reaffirms and reassumes my debt of like amount with the Citizens and Southern National Bank as listed in my bankruptcy petition number _____ dated _____. WITNESS: _____ _____ Signature DATE _____
Charge Account Service:	Either of above methods, although the signing of a note is preferred.

REASSUMPTION AGREEMENT (19-2010)

This agreement can be used for any Retail Banking indebtedness on which reassumption is desired. Complete it in duplicate and give the carbon copy to the customer. Attach the original to the original note. A completed example is shown on page 9.

PROOF OF CLAIM

Creditors may prove their claims of indebtedness by filing a "proof of claim", which lists the basis of the debt, and any security involved. It is not necessary to employ an attorney to complete a proof of claim. The last two pages of this bulletin show completed proof of claim forms that accurately describe the type

security interest involved. While we have a legal right to file a written proof of claim within six months after the first meeting of creditors, referees normally expect claims to be filed within two months after the first meeting of creditors. The claim should be filed along with a copy of the note signed by the customer. A copy of this claim should be placed in the customer's file.

REASSUMPTION AGREEMENT

WHEREAS, I, George Beatnot, have filed my petition in bankruptcy in the United States District Court for the Northern District of Georgia, Atlanta, Ga. the same being Case No. 23598.

WHEREAS, I listed Citizens and Southern Financial Corp., as a creditor. the evidence of debt being a Cond.Sale Contract executed on February 8, 19 70, and having an outstanding balance thereon of $1440.00.

This note reaffirms and reassumes my debt of like amount with Citizens and Southern Financial Corp. as listed in my bankruptcy petition number 23598 dated July 10, 1970.

WITNESS: [signature] [signature] Signature

DATE: August 3, 1970

E- 1108

19-2010

Note: Handwriting is for emphasis only. Use Typewriter.

PROOF OF CLAIM AND POWER OF ATTORNEY IN BANKRUPTCY. No. 78 [illegible]

In the District Court of the United States

FOR THE Northern DISTRICT OF Georgia

In the matter of

John Slow Doe
Debtor or Bankrupt.

In Bankruptcy No. 30837

State of Georgia County of Fulton

Sam Leader of No. 206 Mitchell Street,

in said County of Fulton and State aforesaid, being duly sworn, deposes and says:

If individual use this paragraph and ignore paragraph 2, 3, 4.

(1) That _____, the above named bankrupt, was at and before the filing by (or against) him of the petition for adjudication of bankruptcy, and still is, justly and truly indebted (or liable) to said deponent in the sum of _____ Dollars.

If a corporation use this paragraph and ignore paragraph 1, 3, 4.

(2) That he is the Banking Officer Citizens & Southern Nat'l Bank, a corporation organized and existing under the laws of the State of Georgia and carrying on business at No. 206 Mitchell Street, in Atlanta County of Fulton State of Georgia and is duly authorized to make this proof of claim on its behalf.

If a partnership use this paragraph and ignore paragraph 1, 2, 4.

3. That he is a member of _____, a copartnership composed of deponent and _____ of _____ in the County of _____ State of _____ and carrying on business at No. _____ Street, in _____ County of _____ State of _____

If an attorney or agent use this paragraph and ignore paragraph 2, 3.

(4) That he is the attorney (or agent) of _____ of No. _____ Street, in _____ County of _____ State of _____; that deponent is duly authorized by said _____ to make this proof of claim in his behalf; and that said proof cannot be made by said _____ in person because _____

That John Slow Doe, the above named bankrupt, was at and before the filing by (or against) him of the petition for adjudication of bankruptcy, and still is, justly and truly indebted (or liable) to said Citizens & Southern National Bank in the sum of Two Thousand ---- ($2,000.00) ---- Dollars.

That the consideration of said debt (or liability) is as follows: Note dated May 22, 1970.

E- 1109

That no part of said debt (or liability) has been paid, except _____

_____

_____

That there are no set-offs or counterclaims to said debt (or liability) except _____

_____

_____

That deponent does not hold, and has not, nor has any person by his order, or to his knowledge or belief, for his use, had or received, any security or securities for said debt (or liability) except _____

_____

(If the debt or liability is founded upon an instrument of writing) That the instrument upon which said debt (or liability) is founded is attached hereto (or is lost or destroyed, as set forth in the affidavit attached hereto).

(If the debt is founded upon an open account) That the said debt was (or will become) due on _____

_____ or that the average due date thereof is _____

_____); that no note or other negotiable instrument has been received for such account or any part thereof (or that the said debt is evidenced by a note (or other negotiable instrument, which is attached hereto); and that no judgment has been rendered thereon, except _____

_____

The Citizens & Southern National Bank

Aug. 24, 1970 _____ Creditor

Banking Officer

Subscribed and sworn to before me this _____ day of _____, 19____

_____

(Official Character)

POWER OF ATTORNEY

To _____ and _____

I, _____ of _____, in the County of _____, State of _____, do hereby authorize you, or any one of you, with full power of substitution, to attend all meetings of creditors of the bankrupt aforesaid, and all adjournments thereof, at the places and times appointed by the court, and for me and in my name to vote for or against any proposal or resolution that may be then submitted under the Act of Congress relating to bankruptcy, to vote for a trustee or trustees of the estate of the said bankrupt and for a committee of creditors, to accept any arrangement or wage-earner's plan proposed by said bankrupt in satisfaction of his debts, and to receive payment of dividends, and payment or delivery of money or of other consideration due me under such arrangement or wage-earner's plan, and for any other purpose in my interest whatsoever; and with like powers to attend and vote at any other meeting or meetings of creditors, or sitting or sittings of the court, which may be held therein for any of the purposes aforesaid.

In witness whereof, I have hereunto signed my name and affixed my seal this _____ day of _____, 19____

Signed, sealed and delivered in the presence of _____ (L. S.)

Acknowledged before me this _____ day of _____, 19____

_____

_____

(Official Character)

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT COLLECTION SUMMARY SHEET

TOPIC

Page 1 of 1 **Date** 12/26/69

NEW BULLETIN

The purpose of this bulletin is to introduce the Collection Summary Sheet as a new collection tool. It will help improve efficiency by providing a more organized and systematic basis for recording the details of personal followup. A copy is shown below.

It should be used in conjunction with the ledger card, or computer collection card when that card is not retained in the credit file. It should also be used to supplement the computer collection card when more space is needed. The form, 19-1450, may be ordered from the Purchasing Department in the usual manner.

COLLECTION SUMMARY SHEET Page 1

(To be kept in credit folder)

Account Name Arthur Schwartz Employment United Linen Supply

Address _____ Bus. Phone 599-2233

_____ Res. Phone 653-8114

Nearby Phone _____

Date Worked	Instl	Work Effort	Follow Up Date
12/19/9	WEM	Phoned cust. at FOE 624-1181. PP prmt + I.C.	
		ON 12/23 to Ms Att (New Employee Clives	
		Linens, Inc.)	12/31

19-1450

E-1111

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT COLLECTION CARD

TOPIC

 Date 10-1-70

Replaces Bulletin: COLLECTIONS - COLLECTION CARD - Dated 6/15/70

The purpose of the Collection Card is to provide an individual summary of each past due loan, to be used in collection follow-up. As past due loans enter the personal follow-up stage, Collection Cards are prepared and forwarded to the branches and sales finance departments. Collection Cards are prepared four times during the month. (Around the 1st and on the 10th, 17th and 24th of the month.) Once a Collection Card has been prepared for a loan, another card will not be prepared until after the loan becomes current, then again past due.

Collection Cards are prepared under the conditions listed below:

1. In most instances the Past Due Notice is prepared on the 10th day of delinquency. If a loan remains past due, the Collection Card is prepared when the loan becomes 17 days past due.

2. A Past Due Notice is not prepared when any of the NOTICE EXCEPTIONS exist. For these loans, the Collection Card is prepared on the 10th day of delinquency. (See COLLECTIONS-NOTICES.)

3. When a loan becomes one day or more past due because of a debit to the balance, a Collection Card is prepared when Collection Cards are next produced.

COLLECTION CARD

MR JOHN DOE
1234 EASY STREET
ATLANTA GEORGIA

DEALER NAME: JOHN SMITH CO.

N 69 CHEV

FOLLOW UP DATE

LIFE	D.B.	H&A	L.I.
N	N	N	N 34

ACCOUNT NUMBER	BRANCH	CLASS	DEALER	SEQ
52 01 13412	2 4	10	810	1

CRD	BAL	CAR	INT
1	1	1	0

DATE OF LOAN	NOTE AMOUNT	TERM MOS	NO PMTS	EXTENDED	EXPERIENCE	TIMES NSF	LATE CHARGE PAID	PMT SERIES	D.C.	NO PMTS	AMOUNT	DATE TO BEGIN
3-27-70	312000	30	30	0		0		1st	1	30	10400	5-08-70
								2nd	0			
								3rd	0			
								4th	0			

TIMES MOS AMOUNT 1 - 29 30+ HOME PHONES

EMPLOYER BUSINESS

LOAN BALANCE	DATE CHG DUE/PAID		DATE DUE	SCHEDULED PMT	PAST DUE	AMT DUE	DATE PAID
312000	500	1	5-08-70	10400			
		2	6-08-70	10400			
		3	7-08-70	10400			

LAST TRANSACTION: DATE 3-31-70 CODE AMOUNT

USE THIS SPACE FOR OTHER BANK LOANS REFERRED TO, ETC

E- 1112

Replaces Bulletin: COLLECTIONS - COLLECTION CARD - Dated 6/15/70

VERIFICATION OF COLLECTION CARDS

All Collection Cards on loans past due 30 days or more should be checked against the Past Due List monthly to insure that a card exists for these 30-day and over month-end delinquencies.

COLLECTION CARD FILE

Each man handling past-due accounts should have a collection card file with 1-31 day dividers. As followup dates are determined, cards are filed under the date on which the next action is to be taken.

USE OF FOLDERS

To work accounts effectively, the collection man must know the background of each account (original application and investigation)--nature of past collection efforts. Both the collection card and the folder are needed for the desired quality of action. The collection steno should use the incoming new collection cards and the "set-up" collection cards to pull the related folders. Folders and collection cards should be kept in the same order to expedite handling by the collection man. After followup, folders should be refiled promptly.

LOANS REFERRED TO OTHER BANKS

When a loan is referred to an out of town bank for collection assistance, the name of the bank should be entered in the lower right portion of the Collection Card, along with the date. An early follow-up date should be set to insure that we will inform the bank of any payments received on the loan.

REPOSSESSIONS

When collateral is repossessed, it should be so noted on the Collection Card, along with the date. The loan should also be coded "Repossession." This is done on a Master Record Change.

LOANS ASSIGNED TO OUTSIDE ADJUSTERS (SALES FINANCE)

If a copying machine is available, a copy of the Collection Card should be made and given to the adjuster. If this is not possible, prepare copies manually.

Replaces Bulletin: COLLECTIONS - COLLECTION CARDS - Dated 6/15/70

UPDATING CARDS

Each day the Collection Cards set for follow-up that day should be checked for change of status before the customers are contacted. Try to avoid updating between 9:00 A.M. and 2:00 P.M., when large numbers of "immediate priority" inquiries are made.

Use the Audio system for updating. Two inquiry codes may be used - 208 and 209. OUTSIDE ATLANTA, UPDATING IS DONE ON VIDEO.
Code 208 is the "Balance - Late Charge" inquiry. The information given, in sequence, is Account Number, Balance, and Late Charge Due.

Code 209 is the "Status" inquiry. The information given, in sequence, is Account Number, Due Date, Payment Amount, Partial Amount Due, and Last Entry Date.

Here is an example of the response to Inquiry Code 208, "Balance-Late Charge". The numbers in parentheses refer to the instructions for updating the Collection Card which follow the example.

INQUIRY CODE 208 RESPONSE

(1)	ACCOUNT NUMBER	01 06 00027
(2)	BALANCE	2 543.20
(3)	LATE CHARGE DUE	3.74

(1) Listen carefully to the account number as it is given to verify that it is identical to the account number on the Collection Card.

(2) As the balance is given, compare it with the balance shown on the Collection Card. If the balance is the same, nothing is written at this point. If different, write in the new figure below the old balance figure. Here is an example of a balance change:

"BALANCE two four six eight dollars four zero cents"

~~2 543 20~~	3 74	3	10-08-70	74 80	
2 468 40		4	11-08-70	74 80	
		5	12-08-70	74 80	

E1114

Replaces Bulletin: COLLECTIONS - COLLECTION CARDS - Dated 6/15/70

(3) As the late charge is given, compare it with the late charge due shown on the Collection Card. If no change, make no change. If different, write in the new figure below the old figure, as shown:

"LATE CHARGE DUE seven dollars four eight cents"

LOAN BALANCE	LATE CHG. INCLUDED		DATE DUE	SCHEDULED PMT	PARTIAL AMT DUE	DATE PAID
~~2 543 20~~	~~3 74~~	3	10-08-70	74 80		
2 468 40	7 48	4	11-08-70	74 80		
		5	12-08-70	74 80		

If the balance has not changed, and the late charge amount is correct, all remaining information on the Collection Card is still correct and ready for collection followup. It will not be necessary to use another Inquiry Code.

If the balance has changed, you can sometimes determine at a glance whether the change was sufficient to pay up to date, thereby removing it from personal follow-up status. If the change did accomplish this, the Collection Card can be destroyed unless it contains collection followup information that should be filed in the customer's credit folder. EXCEPTION: If another payment will mature in 5 days or less, the account should normally be contacted by letter, acknowledging the payment received and reminding the customer of the payment coming due and any late charges remaining due; then the card may be destroyed.

If the balance has changed, and you need more information, use Inquiry Code 209, Status. The information given, in sequence, is Account Number, Due Date, Payment Amount, Partial Amount Due, and Last Entry Date.

Here is an example of the response to Inquiry Code 209, Status. The numbers in parentheses refer to the instructions for updating the Collection Card which follow the example:

INQUIRY CODE 209 RESPONSE

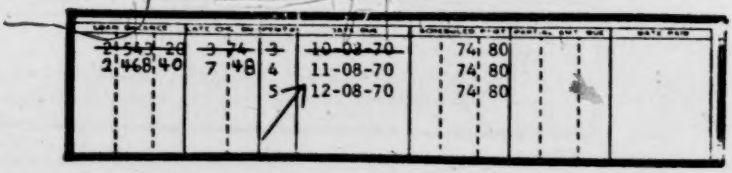
(1)	ACCOUNT NUMBER	01 06 00027
(2)	DUE DATE	11-08-70
(3)	PAYMENT AMOUNT	74.80
(4)	LAST ENTRY DATE	11-05-70

Replaces Bulletin: COLLECTIONS - COLLECTION CARDS - Dated 6/15/70

(1) Listen carefully to the account number as it is given to verify that it is identical to the account number on the Collection Card.

(2) As the due date is given, compare it with the due date shown on the Collection Card. Change it to the new due date, or if due date hasn't changed, leave it alone. Here is an example:

"DUE DATE one one eight seven zero"



~~2 54 7 20~~	~~3 74~~	~~3~~	~~10-08-70~~	74	80	
2 468 40	7 48	4	11-08-70	74	80	
		5	12-08-70	74	80	

(3) The payment amount should be identical to your Collection Card payment amount.

(4) Record this date in the Date Paid column.

IMPORTANT

IF THE DATE OF THE LAST ENTRY SHOWS THAT ANOTHER PAYMENT CAME DUE BEFORE THE PREVIOUS PAYMENT WAS POSTED, THE LOAN REMAINS PAST DUE. WHEN THIS IS THE CASE, THE COLLECTION CARD MUST BE RETAINED SINCE ANOTHER COLLECTION CARD WILL NOT BE PREPARED FOR THIS LOAN UNTIL IT IS PAID UP TO DATE AND AGAIN BECOMES PAST DUE. REMEMBER, IF A PAYMENT IS POSTED ON THE DUE DATE OR AFTER THE DUE DATE OF A SECOND PAST DUE PAYMENT, THE LOAN IS CONSIDERED STILL PAST DUE.

If necessary at this point, you can refer to the Daily Transactions Journal of the same date as Last Entry Date to get more information.

FOLLOWUP

After all Collection Cards have been checked and updated, they should be separated into two groups:

1. Those which remain past due.
2. Those which are now current.

Replaces Bulletin: COLLECTIONS - COLLECTION CARD - Dated 6/15/70

The Collection Cards which remain past due are the customers to be contacted today. As the customers are contacted, new follow-up dates are assigned and the cards filed by follow-up date.

Those loans which are now current, but have a payment maturing in 5 days or less, should normally be contacted by letter (including standard form letters) acknowledging the payment received and reminding the customer of the payment coming due and any late charge remaining due. After this is done, the Collection Cards representing loans which are now current may be thrown away, unless pertinent information has been recorded on a card. When this is the case, the card may be filed in the customer's credit folder.

After each contact with a customer the follow-up date for the next contact should be entered in pencil in the blank in the upper right corner of the Collection Card, and the card filed by follow-up date. Promises for payment should normally be followed one day after the day that the payment is to reach the bank. If a specific date was not determined (for example, a letter was sent to the customer) no more than 5 to 7 days should elapse before the next contact. In assigning follow-up dates, consideration should be given to the seriousness of the delinquency and the number of loans scheduled to be contacted on that day.

RELATED BULLETIN: COLLECTIONS - NOTICES

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT CREDIT BUREAUS

TOPIC NOTIFICATION SERVICE

NEW BULLETIN

Nearly all credit bureaus provide a multi-purpose service to their members - at a nominal cost - that should be exploited fully. The Credit Bureau of Atlanta calls it Notification Service. Other locations may call it Notice of Change, Derogatory Information Service, Locater Service, or some similar name.

The only cost to us is our time spent in filling out the form, unless new address or employment information is secured by the credit bureau. In that case, we are charged the price of a file report. Two advantages stand out clearly:

1. More effective collection results from locating skips will result in fewer skip losses.

2. Money will be collected on some of these several years after charge-off, since many skips "retrace" their steps over a period of time. These notification slips remain in credit bureau files for several years.

After prescribed skip-tracing routines are followed without success, this service should be used. (See COLLECTIONS - SKIPS - LOCATION OF).

The form shown below should be completed in duplicate - the original goes to the credit bureau, and the copy goes in the customer's file.

NOTIFICATION Service

7-19-68 SEND IMMEDIATELY TO *The Credit Bureau of Atlanta*

Submitted by: 6717 (Name or Account #)

Name: Wall (Last name) James (First name) Elbert (Middle Name) husband Name of wife: Martha

Present Address: Unknown Former Add.: 1360 Linden - Jonesboro

Occupation: Self-emp. plumber Business Add.: Unknown

DATE OPENED	DATE LAST PAY	HIGHEST CREDIT	TERMS	BALANCE	PAYING RECORD
1-25-68	6-3-68	720-	24X30	630-	Slow

Check one —

RETURNED CHECK ☐, REPOSSESSED ☐, ATTY. ☐, SLOW PAY ☐, DECLINED ☐, DECEASED ☐, P&L ☐

TO THE CREDIT BUREAU: The above member desires the additional information checked below. If developed, notify this member at once and charge the regular file rate:

☒ NEW ADDRESS ☐ DEROGATORY INFORMATION

☒ NEW EMPLOYMENT ☐ OTHER _____

Form 2106—8-68 U.S.A.

Use of this or a similar form and procedure should become standard practice for reporting repossessions, attorney accounts, and P&L's, and for requesting new address and/or new

NEW BULLETIN

employment. Uses for other reasons are optional, but are not as likely to help us directly. The forms can be obtained from credit bureaus.

NOTE: In Atlanta, this form will continue to be initiated on P&L's only by the Recovery Department.

RELATED BULLETIN - COLLECTIONS - SKIPS - LOCATION OF

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT EMPLOYERS

TOPIC RIGHT TO CONTACT

 Date 12-18-61

Replaces Bulletin: "COLLECTIONS - EMPLOYERS" Dated 6-7-57

In a decision by the State Supreme Court, the right to contact a debtor's employer by a creditor was restored. This was a reversal of a previous decision in the case of Zerbst vs Taber - Reference (Ga. 96 Appeals 48). This ruling gives us a collection tool that can be most effective if properly used.

WHEN TO CONTACT THE EMPLOYER Care and tact must be exercised when it becomes necessary to contact an employer. We do not want to make a nuisance of ourselves, and we must preserve the good will of the employer.

Before contacting an employer, we should be fully aware of the reason for the delinquency for in many instances our customers do have valid reasons for being past due. To contact a debtor's employer without knowing why he is past due could prevent a satisfactory adjustment and possibly create a chronic collection problem.

If the account cannot be adjusted on a direct basis with the customer then his employer should be contacted. When an account falls in the categories listed below it indicates a need for calling the employer:

1. Unable to contact customer.
   a. No response is received to telephone calls.
   b. He fails to answer collection letters.
   c. Notices and letters are returned unclaimed.
   d. He has moved and his new address is unknown.
   e. The Outside Adjustor is unable to locate him.
   (Personnel files possibly contain names of relatives through whom a skip could be traced, see Bulletin: COLLECTIONS - SKIPS - LOCATION OF.)

2. Failure to fulfill promises.
   (Information from employer will help evaluate and appraise statements made by customers.)

3. Indifference - the customer has the means to pay but deliberately refuses to do so.

4. Chronic past dues.

APPROACH TO THE EMPLOYER A brief statement as to the purpose of the contact and the need for the employer's assistance is the best approach. In this statement we should emphasize the bank's desire to help his employee adjust the account on a friendly and practical basis. You should also point out that with his cooperation mutual benefits will be received by all concerned. We solve a collection problem and his employee being free of worry about the account should be able to give better work performance.

Most employers are interested in the welfare of their employees and will cooperate with the bank.

Replaces Bulletin: "COLLECTIONS - EMPLOYERS" Dated 6-7-57

WHOM TO CONTACT Our effectiveness will depend upon our talking or corresponding with the proper parties responsible for personnel. Normally, larger firms and all government agencies will have personnel managers. All contacts should be made with them for best results.

In smaller firms, the manager or owner should be contacted. With military personnel, collection correspondence should be directed to the customer's Commanding Officer. Information on handling military personnel is contained in the Bulletin: COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT, dated 10-27-61.

FOLLOWUP Once the initial contact with the employer is made, we must continue to keep him informed as to the status of the account. Copies of correspondence, along with any pertinent information developed during the course of handling, should go to him. Our failure to keep the employer informed could lead to an embarrassing situation if it becomes necessary to contact him on future installments that go past due.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT EXTENSIONS

TOPIC

 Date 12-27-67

Replaces Bulletin: COLLECTIONS - EXTENSIONS Dated 5-11-62

For many years we have stressed that the key to successful adjustment of past-due accounts is contingent upon a complete understanding of the delinquent customer's problems and his reasons for being past-due. Frequently a customer is temporarily past-due because of circumstances beyond his control. In such cases, it is our responsibility to analyze completely the customer's problem and be willing to grant an extension of the loan if curcumstances justify such action.

Extensions are not always used in conjunction with a past-due account. Rather, there are any number of occasions when an extension plays a vital part in meeting the full financial needs of the customer. For example, the customer may be current and find that due to unexpected expenses or other financial difficulties he cannot pay his next installment. To grant an extension in such cases not only helps the customer overcome his current financial difficulties, but also solves what could represent a potential collection problem.

At times the extension may be the means for providing the customer with needed funds rather than requiring him to seek an additional loan or rework his present note. While this does not actually entail advancing new money, it does permit the customer use of the normal monthly payment(s). Extensions of this type may be rare; nevertheless, they should be considered in an effort to provide maximum service to the customer.

Our basic policy, therefore, is to make extensions whenever conditions warrant, whether the account is past-due or not. Extensions should never be made for the sole purpose of removing the loan from a past-due category. Extensions must always be made as an attempted solution to a customer's problem.

CREDIT REQUIREMENT

Before an extension can be granted, it must be established by an analysis of the account that the financial difficulties experienced by the customer are of a temporary nature and that time will prove to be the solution to the problem. Some degree of re-investigation may be necessary. The individual making the decision to grant the extension must take into consideration the following factors.

1. Customer's sufficiency of income to meet payments on the new terms.
2. Customer's willingness to pay in accordance with the terms of the proposed extension.
3. On secured transactions - the amount of equity and availability of the collateral.

A request for an extension in the very early stages of a contract is a red flag. In the majority of cases, we expect the customer to have paid enough payments on the account to establish a paying pattern. This serves as a partial basis for our decision to allow the extension.

Replaces Bulletin: COLLECTIONS - EXTENSIONS Dated 5-11-62

CHANGE OF DUE DATE

It is permissible to adjust the due date for the customer's convenience, up to 15 days without charging a fee. This is not an extension. You may find it practical to change a due date several days in conjunction with an extension. The most critical payment after an extension is the first one, so the due date must be closely related to the customer's payday, and followup should be accelerated - the same as if it were the first payment on a loan.

EXTENSION FEES

Original interest charges on installment loans are predicated on a predetermined repayment schedule. Therefore, when granting an extension, the customer receives the benefits of the funds for a longer period of time than that for which he was originally charged. To compensate for the use of these funds during the periods of extension, it is necessary to charge the customer a fee. The normal charge is 1% of the unpaid balance, at the time of the extension, for each 30 days extended - with a minimum charge of $2.00 on loans to individuals.

NO EXTENSION SHOULD BE MADE UNLESS AND UNTIL THE EXTENSION FEE IS COLLECTED. ANY LATE CHARGES DUE SHOULD BE COLLECTED AT THIS TIME ALSO. Payment on the account should be obtained if the extension is for more than one month. One good guideline is, "The more an account is delinquent, the more important it is that some reduction of the balance be made."

On Small Business transactions, the fees are to be computed in the same manner except in those cases where the original charges were based on simple interest factors. On these transactions the charge is determined by applying the original interest factor to the unpaid balance for each 30 days to be extended. On seasonal farm paper, the extension fee should be computed on the appropriate seasonal rate chart. It is also necessary to add to this charge on seasonal farm contracts the cost for additional coverage where needed (See Bulletin: INSURANCE - FARM EQUIPMENT).

CREDITING FEES TO THE GENERAL LEDGER

All extension fees are credited to the General Ledger account Interest and Discount, Installment Loans - Individual or Small Business, as the case may be. The credit ticket shows the customer's name, account number, and the number of months the loan has been extended. A double credit ticket is used, the original copy being run into the block (used by the teller in balancing at the end of the day) and the second copy going to the Central Billing Department for accrual pruposes. (See Bulletin: ACCOUNTING & GENERAL OPERATIONS - GENERAL LEDGER ACCOUNT.)

EFFECT ON INSURANCE

An extension has no effect on any credit life, disability, and property (fire and theft) insurance placed on the loan at inception. No additional charge need be collected and no additional accounting is necessary. (Exception - Seasonal farm

Replaces Page 3 of Bulletin: COLLECTIONS - EXTENSIONS Dated 12-27-69

In any transaction in which an insurance policy has been secured and placed in the customer's file, such as on an automobile, an extension may cause the term of the contract to be longer than the term of the insurance. While in most such instances, this could result in our being unprotected for only the final month or two of the contract, the lending officer should be aware that the situation exists. Then, related to the risk factors involved, a decision can be made regarding further followup for insurance coverage.

BALLOON NOTES AND IRREGULAR PAYMENT CONTRACTS

Irregular payment arrangements and balloon notes present special problems. An extension could represent a significant strerching of terms. Instead of our exposure of, say, one or two regular payments of a 36-month contract, a two month extension of a balloon note contract might result in a $1,200 "balloon" that is uninsured for two months if we fail to take steps to remain insured. More than usual care must be taken when considering extensions on "unusual terms" contracts. A rework may well be a better solution than an extension in many of these cases.

INDORSERS AND COMAKERS

Generally, indorsers and comakers should be contacted to discuss the proposed extension and to secure their approval.

RECOURSE

Although our dealer agreements allow us the right to extend and/or revise contract terms without affecting dealer liability, we should advise the dealer of unusually long extensions.

CHANGES ON LEDGER CARD

In order to show that a loan has been extended on the ledger card, the due dates are changed to reflect the additional months the loan is to run. This is done by marking (with ink) through the repayment dates shown on the ledger card and inserting the new dates for payment.

On the reverse side of the ledger card spaces are provided for recording the extension fees, number of additional months the loan will run, and initials of the approving officer. The date the front of the ledger card is changed is to be entered in the "date made" column and the date the extension fee is collected is to be entered in the "date paid" column.

A written memorandum relating the facts concerning the adjustment should be prepared for the customer file. Such information is required in the event further follow-up becomes necessary.

CHANGES IN COUPON BOOK

It is not always possible to make changes in the customer's coupon book to show the extension. However, if the customer does have his coupon book with him at the time the loan is extended, the individual making the extension should

Replaces Page 4 of Bulletin: COLLECTIONS - EXTENSIONS Dated 12-27-67

coupons to reflect the same dates as shown on the ledger card. If the customer does not have the coupon book with him or if the extension is made by mail, you may advise him to make the necessary changes himself.

NOTICE OF EXTENSION

N E W Federal law (Regulation Z) requires us to give the customer a notice of the extension. Form 19-1400 is to be used for this purpose. The original is for the customer. (A copy of the Notice of Extension need be sent only to a primary customer). The file copy has additional space on it for entry of reason, date made, date paid, and approval initials.. This is to be retained in the customer's file for two years. Sample is shown below.

C&S

Notice of Extension

Your account has been extended as requested. Details are shown below. Date

Reason
Date Made
Date Paid
Approved by

Account Number
Amount Extended
Extension Fee
Months Extended
New Due Date

Bank Copy

Please make all payments promptly

CHECKPOINTS

Proper attention to the following questions should result in successful extensions:

1. Why hasn't he paid?
2. Has he had extensions and/or due date changes before?
3. Can he pay under terms of the extension?
4. Is due date change needed?

Addition to Bulletin: COLLECTIONS - EXTENSIONS Dated 12-27-67

5. Is some payment on account needed?
6. Are late charges being collected?
7. Is insurance affected?
8. Is the account on seasonal or irregular terms (including balloon note)?
9. Is dealer liability involved?
10. Is there an indorser?

N 11. Has he received a copy of the Notice of Extension?

ORDERING FORMS

Forms may be ordered from Purchasing Department, Atlanta, in the usual manner. Specify form number 19-1400.

RELATED BULLETINS

INSURANCE - FARM EQUIPMENT
ACCOUNTING & GENERAL OPERATIONS - GENERAL LEDGER ACCOUNTS

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT FOREIGN CLAIMS

TOPIC REFERRED BY OTHER BANKS

 Date 5/7/70

Replaces Bulletin: COLLECTIONS-SKIPS-REFERRED BY OTHER BANKS-Dated 8-29-57

Collection cases referred to C&S by other banks, under the reciprocal arrangement described in our bulletin - COLLECTIONS-FOREIGN CLAIMS-REFERRAL TO OTHER BANKS - should receive priority in handling. In addition to giving the best possible collection service, other factors are involved in handling "Foreign Claims" (including other C&S offices).

ACKNOWLEDGMENT

All claims should be acknowledged the same day received, telling the originating bank how soon they may expect a report. If the claim can be worked the same day and a report given - so much the better - but do acknowledge promptly.

_____ Customer's Name

Your request for collection assistance on the above named customer's account has been received by this department today. Immediate attention will be given to this request and you will be notified as quickly as possible of any and all progress.

Citizens & Southern National Bank
P. O. Box 4899
Atlanta, Georgia 30302

Recovery Department

_____
Manager

Date: _____

BEFORE ATTEMPTING COLLECTION

1. Check your files for possible experience (in Atlanta, check CIF). Frequently we find information already in file that will be helpful in collecting.
2. Prepare a folder in the same manner as folders are prepared on rejections. After your handling is concluded, file foreign claim folders in your regular files.

Replaces Bulletin: COLLECTIONS-SKIPS-REFERRED BY OTHER BANKS-Dated 8-29-57

3. Enter on "Foreign Claim Log." As a means of control of service and to know how many claims are handled each month, each office should maintain a log showing, (1) name of debtor, (2) originating bank, (3) date received and (4) date concluded.

REPORT ALL COLLECTION EFFORTS

Report all collection efforts to the originating bank as you go along. In the absence of word from you, the originating bank will assume that you are doing nothing even though you may be doing a good job for them.

If an account has been brought up-to-date or you have taken all possible action, RETURN THE FILE. Let the originating bank know that your file is "closed" and you will be glad to handle again if needed.

CHARGES - EXPENSES

In line with our listing in the Installment Lending Directory, we accept the standard $10 fee for handling foreign claims plus out-of-pocket expenses. If situations develop involving unusual expense, such as paying a large repair bill to get possession of a car, clear with the originating bank first.

HOLD HARMLESS AGREEMENT

Before attempting a repossession, be certain to obtain a "Hold Harmless Agreement" from the bank making the referral to you. A sample of such an agreement is found in the lower left hand corner of our Summary of Account form (19-987). In instances where you receive the referral by phone and immediate repossession is requested, ask the bank to mail you written instructions and a "Hold Harmless Agreement". While there is never any question as to the integrity of the referring bank, legal complications could arise at the point of repossession which could require our having such an agreement for our own protection.

REPOSSESSIONS

If you repossess merchandise under instructions of another bank, report the condition together with bids received (time limit of each bid - if any) and your opinion whether the merchandise can be returned to the other bank economically. Do not dispose of such repossessions except on complete instructions from the bank and be sure that the costs and net balances are understood.

ACCOUNTING

Transmittal fees received should be credited to the General Ledger Account "OTHER INCOME".

RELATED BULLETIN COLLECTIONS-FOREIGN CLAIMS-REFERRAL TO OTHER BANKS, AGENCIES

OPERATING BULLETIN

SECTION	COLLECTIONS
SUBJECT	FOREIGN CLAIMS
TOPIC	REFERRALS TO OTHER BANKS, AGENCIES
Page	1 of 2
Date	5/6/70

Replaces Bulletin: COLLECTIONS - SKIPS - REFERRALS TO OTHER BANKS, AGENCIES Dated 11-8-54

N The Installment Credit Committee of the American Bankers Association
N publishes the Installment Lending Directory every two years. C&S orders them centrally and sends them to each office. Participating banks are listed in the directory alphabetically by states and cities. Also shown are codings of the various types of loans handled and the extent of collection facilities available to requesting banks. Before referring claims to banks listed in the Directory, read the preface carefully and select banks whose coded symbols indicate that they have the facilities to help you.

N An important change is that a $10.00 "transmittal fee" must now accompany each account that is referred. Any out-of-pocket expenses should also be charged to the referring bank, as in the past. The fee should help to equalize costs, and should discourage referral of small balance accounts, charge-offs accounts, and "fishing expeditions".

WHEN TO REFER

When the following conditions exist, you should generally refer an account for work:

1. Recent collection notices, letters, and long-distance phone calls have been unsuccessful, and
2. The Installment Lending Directory shows a bank that provides the type collection service you need, and
3. The account balance and likelihood of collection appear to justify the immediate $10 transmittal fee plus possible other out-of-pocket expenses.

Of course, any time an account is in an unusual risk situation that requires immediate personal contact, referral should be made.

CORRESPONDENT BANKS

In using the Installment Lending Directory, our Correspondent Bank relationships should be protected at all times. In referring claims in the southeastern area, the Officer-In-Charge of each Installment Loan Department is responsible for knowing the Correspondent Bank relationship involved before claims are referred. In any town where we have a correspondent bank, claims should be sent to that bank regardless of listing in the Installment Lending Directory.

CAS ACCOUNTS

A credit card item is considered to be an appropriate item to submit for collection under the reciprocal program. Please be certain that the bank you select has a credit card plan.

Replaces Bulletin: COLLECTIONS - SKIPS - REFERRALS TO OTHER BANKS, AGENCIES - Dated 11-8-54

REFERRALS TO OTHER BANKS

Use the Summary of Account form (19-879) with the following letter:

"Mr. John Doe, who is now living in your community, has with us a delinquent account, details of which are outlined in the enclosed Summary of Account. We would appreciate your handling this account on the basis set out in the American Bankers Association Installment Lending Directory. The prescribed $10 transmittal fee is enclosed."

N

"We feel that our customer will cooperate with you. If you find that collection is impossible without referral to an attorney or collection agency, please write us your recommendation prior to taking such action."

"If at any time in the future you should have a collection problem in our area, we shall be glad to reciprocate."

C&S BANKS

The procedure is EXACTLY the same as in the preceding paragraph "REFERRALS TO OTHER BANKS," EXCEPT, don't pay the $10 fee.

ATLANTA AREA

All accounts in the metropolitan Atlanta area should be directed to:

Central Recovery Department (Telephone: 588-3188)
North Avenue - 9th Floor

OUTSIDE COLLECTION AGENCIES

Occasions may arise where you are unable to get collections handled in a given area. When this occurs, contact your Recovery Officer or Central Recovery Department, Atlanta, for the names of outside collection agencies, collection attorneys, finance adjustors, Automobile Recovery Bureaus, etc.

Generally accounts should be sent to attorneys for collection purposes only where the bank to which you have referred your account is unable to assist you and recommends a particular attorney to handle the collection service.

ACCOUNTING

Transmittal fees paid should be debited to the General Ledger Account "PROFESSIONAL SERVICES-OTHER".

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT LATE CHARGES

TOPIC

 Date 6/29/70

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-23-67
Also includes : Material from INSTALLMENT LOAN AUTOMATION MANUAL

Legislation covering most Sales Finance transactions limits the maximum late charge we may collect. For uniformity, we have elected to standardize our present late charge schedule on all consumer installment transactions to conform to the maximum permitted by the Sales Finance legislation. This is consistent with the charge now being made by most installment lenders.

Although late charges will not eliminate past-due accounts, effective collection of late charges will reduce the number of those accounts by encouraging prompt payments and will partially offset the additional expenses incurred in collection follow-up.

CUSTOMER EDUCATION AND NOTIFICATION

Customer education regarding prompt payments and the necessity for late charges on late payments is the foundation of a PREVENTIVE program on past-due accounts. This is a continual process extending from the initial interview in which the customer requests a loan until the loan has been completely repaid. The loan interviewer should orient customers to the need for prompt payments and the nature of late charges. All our note and contract forms show the late charge assessment method in bold-face type, as required by Regulation Z. In addition, the customer's payment card book contains a note that states the advance notice nature of the payment cards, the advantages of making payments promptly, and the necessity for late charges.

Customer notification about paying late charges is positive and automatic. The computer automatically assesses late charges at the ten-day delinquency point, when the first notice is sent, showing it on the notice. It should be reflected in any later follow-up activity (mail, telephone, or personal contact) on the account. The amounts of late charge paid and amounts remaining due are accumulated on the record of each loan and can be determined by video or audio inquiry. In addition, these amounts are shown in the Transactions Journal, the Collection Card, the Closed Loan Card and the Past Due List.

LATE CHARGE COMPUTATION - RETAIL LOANS

Late Charge is calculated on the basis of 5% of the past due payment amount (or past due shortage), with a maximum charge of $5.00. For example; the scheduled payment amount is $80.00, but only a portion of this payment, $50.00, remains unpaid. The late charge on the tenth day of delinquency (due date plus 10 days) is $2.50, (5% of $50.00). If the next payment also becomes past due ten days, an additional late charge of $4.00 will be added (5% of $80.00).

LATE CHARGE COMPUTATION - BUSINESS LOANS

Term Credit loans will be assessed according to the example shown on page 2.

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-23-67
Also includes : Material from Installment Loan Automation Manual

PAYMENT AMOUNT	LATE CHARGE
Under $100	5%
$100 and over	(1) $5.00, OR, (2) 8% simple interest on the payment amount for each day past due, WHICHEVER IS GREATER Example: Payment of $1000 past due 10 days, 8% = $2.22, so, assess $5.00 minimum late charge. On 23rd day, 8% = $5.11, so that is the amount to charge. Once you have determined the daily interest (22¢ in this case), note it in the credit file, or write it on top of the ledger card (where cards are still used).

OUTSIDE CONTACTS

Past-due accounts that require outside follow-up contacts are very expensive to collect. Therefore, our late charges must be collected without exception. Any out-of-pocket expense incurred should be collected from the customer.

COLLECTION OF LATE CHARGES

It is important that both our customers and our own personnel understand that late charges are as much a part of our rate structure as the original interest. If we FAIL to collect late charges, our customer educational program on prompt payment is weakened; our additional collection expenses are not compensated for; and our practices are not consistent with our rights as specified in our loan agreements.

Obviously, a positive approach is essential to the collection of late charges. The collection of late charges is the responsibility of each person servicing the account to see that the total amount due (past due payment(s) and appropriate late charges) is collected.

All officers in charge of installment lending should vigorously support the collection of late charges. Active operational supervision and employee counseling on late charges will assist in accomplishing the desired results.

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-23-67
Also includes : Material from INSTALLMENT LOAN AUTOMATION MANUAL

Determine the effectiveness of the collection activity by reviewing the collection letters and outside adjustor's performance reports; by comparing on a monthly basis late charges collected in your office to those collected in offices of similar size, and by listening to telephone and face-to-face conversations with customers. If these sources of information indicate that the collection of late charges is deficient, corrective action should be taken immediately.

Inside and outside adjustors should not consider past-due payments and late charges as separate sums due on an account. They should solicit the gross amount due from customers. In addition to collecting late charges on the presently past-due payment(s), outside adjustors are expected to collect any and all late charges which have been previously billed and remain unpaid. If an account that has late charges outstanding is to be paid out before the scheduled date, deduct the amount of the unpaid late charges from the rebate due on the old note. If the rebate is not sufficient to cover the accrued late charges and the account is being reworked, add the remainder of the late charges to the principal on the new note or collect them in cash. If an extension is to be made on an account, be sure to collect the accrued late charges, as well as the regular extension fee.

If the late charges outstanding on a paid-in-full account are less than $5.00, return the note to the customer, as usual. If it has been paid in full, except for late charges of $5.00 or more, retain the note in the customer's file until payment has been received for those late charges. Send one letter to the customer informing him that his note will be returned to him upon his payment of the outstanding late charges. The letter may be worded as illustrated below.

> Thank you for your final payment on your account.
>
> This payment completes your scheduled installments; however, $ _____ has accrued as late charges because of late payments. When this amount is received, we will be happy to return your note marked "Paid".
>
> Your final settlement of this account will be appreciated so that we may close your bank loan satisfactorily.

SPECIAL INSTRUCTIONS FOR TELLERS

All tellers should be familiar with our policy on late charges. They should determine the status of the account from the customer's coupon book.

1. If the payment coupon shows a due date that is current or less than 10 days past due, collect the payment amount.

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-25-67
Also includes : Material from INSTALLMENT LOAN AUTOMATION MANUAL

2. If the payment book shows a due date that is over 10 days and less than 25 days past due, collect the payment and the 5% late charge due on that payment. EXCEPTION: If this is the first payment, refer the customer to an installment loan officer.

3. If the payment book shows a due date that is 25 or more days past due, call and find out the exact status of the account. Then, if it does not fall into either (1) or (2), refer the customer to an installment loan officer.

WAIVERS ON LATE CHARGES

Late charges may be waived on a loan if it is in the best interest of the bank. This practice should be held to a minimum. If the late charge is to be waived, a Miscellaneous Change (19-1205) should be prepared to change the amount of the late charge due. In the example shown below, the late charge was $20.00. The new LATE CHARGE DUE amount is being changed to $5.00. (If all of the late charge is being waived, enter "00000.") Miscellaneous Changes are shown on the File Maintenance report.

INSTALLMENT LOAN
MISCELLANEOUS CHANGE

ACCOUNT NUMBER	ENTER CODE FOR CHANGE FROM TABLE BELOW →	CODE	DATA TO BE ENTERED	CARD CODE
01 20 0[illegible]9		31	005C0	9
1		10	12	

CODE	DATA TO BE CHANGED	NO. CHARS.
02	ZIP CODE	5
03	PURPOSE	1
04	MODEL CODE	1
05	TYPE-DEALER-CLASS	6 (1-3-2)
06	SPEC. INS.-CKG. A/C #	9 (1-8)
07	MANUFACTURER NO.	3
08	EXPIRATION DATE	6
09	AGE OF BORROWER	2
10	PERCENT DOWN	2

CODE	DATA TO BE CHANGED	NO. CHARS.
11	OVER-ADVANCE	3
12	BANK SERVICES	3
13	SOC. SEC. NO.	10
14	INITIALS OF LENDER	3
15	PHONE NO., HOME	7
16	PHONE NO., BUSINESS	7
25	SOURCE CODE	1
26	DATE OF LOAN	6
27	TERM (NO. MOS.)	3

CODE	DATA TO BE CHANGED	NO. CHARS.
28	PAYMENT RECORD	6 (2-2-2)
29	TIMES NSF	1
30	TIMES EXTENDED	1
31	UNPD. LATE CHARGES	5
32	COLLATERAL DESCR	15
33	INSURANCE CODES	2
34	CREDIT PROFILE	4
35	FLAG CODE	1

John Doe — 6/30/70 — RK
CUSTOMER'S NAME — DATE — AUTHORIZED BY

GENERAL LEDGER ENTRIES

Late charges that are collected are credited to the General Ledger Account - "SERVICE CHARGES - INSTALLMENT LOANS." This procedure is also used on late charges and past due interest collected on Small Business Loans. Extension fees and other miscellaneous

EST AND DISCOUNT - INSTALLMENT LOAN - INDIVIDUALS" (or BUSINESS, as the case may be) or [illegible] accounts.

[illegible]ATED BULLETINS: COLLECTIONS-NOTICES [illegible]

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT LOSSES

TOPIC CHARGE-OFF POLICY

 Date 6/22/70

REPLACES BULLETIN: COLLECTIONS-LOSSES-CHARGE-OFF POLICY-Dated 2-1-68

This bulletin describes the categories of accounts that must be charged off, tells when to charge off, and states basic C&S policy on related points. Clear, consistent, and honest statement of good assets demands adherence to a realistic charge-off policy.

Charging off an account does not mean that we diminish our collection efforts, but does mean that we recognize a questionable asset. The transfer to a salvage officer in each city for specialized handling accomplishes collections on these accounts in a more practical, economical, and professional way than is otherwise possible.

REVIEW OF POTENTIAL LOSS REPORTS

Each month, senior management should review the Potential Loss Reports for Installment Loans and CAS to stimulate the collection of these accounts and to be sure that salvage does not remain in current receivables beyond prescribed limits.

WHAT AND WHEN TO CHARGE OFF

It is our policy to charge off as follows:

1. Any installment loan (including CAS accounts that have been put in the liquidating section on installment terms) that is four payments past due will be charged off by the end of the following calendar month.
2. CAS accounts with no payment activity for four past-due billings will be charged off by the end of the following calendar month.

IT IS IMPORTANT TO RECOGNIZE THAT A CAS ACCOUNT IS NOT PAST-DUE UNTIL THE SECOND BILLING WITHOUT PAYMENT, OR, IN THE CASE OF PARTIAL PAYMENTS, WHEN TWO MINIMUM PAYMENT AMOUNTS ARE DUE.

3. CAS accounts that are 6 months past-due on the minimum payment schedule will be charged off by the end of the following calendar month.
4. Any account that represents a known loss will be charged off at the next regular charge-off time.
5. Any account that represents an extended period of salvage will be charged off at the next regular charge-off time, regardless of past due status.

NOTE: Several factors will bear on this decision. Estimated collection cost versus probable results must be weighed. The question of best alternative use of collection time must be answered honestly. Whether the account has been worked in a timely manner and by seasoned people must be considered. Realistic judgment must be given to these questions to be able to make a good decision.

Replaces Bulletin: COLLECTIONS-LOSSES-CHARGE-OFF POLICY - Dated 2-1-68

Management has the discretionary authority to depart from any of these policies for good cause, which should be indicated on the Potential Loss Report.

CAS RESCHEDULES

Care must be exercised not to consider a reschedule of credit (where no payment was made) as a payment with respect to compliance with charge-off policy and procedure. All credits (not payments) to accounts will have to be considered individually to determine if they should be treated as payments with respect to charge-off policy compliance.

WHEN TO CHARGE OFF A REPOSSESSION

A repossession will be charged off:

1. After sale, ordinarily.
2. Prior to sale, when the probable amount of sale proceeds will not be a significant amount in relation to the balance.
3. When requested by examining authorities.

WHEN TO CHARGE OFF A BANKRUPT

Bankrupts and Chapter XIII Wage Earner Plan accounts will be charged off at the earliest practical date after the first meeting of creditors. Bankruptcy claims should be filed prior to charge-off, and a copy of the claim should be placed in the customer's file. There will be some instances in which we will continue carrying an account after bankruptcy has been filed. (See: COLLECTIONS - BANKRUPTCY & CHAPTER XIII, Page 3).

WHEN TO CHARGE OFF A DEBT COUNSELING ACCOUNT

An account placed in a debt counseling program is a questionable asset and must be charged off at the next regular charge-off time. While this will increase the dollar amount of losses, recovery is expected to offset this so that net losses will not be affected. Having Recovery Officers coordinate the paperwork on these accounts places this responsibility in more specialized hands and frees the operating locations' collection personnel for more fruitful work.

There will be a rare instance in which it may be permissible to avoid charging off such an account (except CAS locations, who must charge off to keep from billing further service charges). This will occur when we are well secured and the revised payment schedule very nearly approximates the existing terms.

ANALYSIS

The statistics and resume of collection effort on the History Sheet should allow a thorough analysis to be made. Many times a credit or collection mistake can be written up so that, constructively used, it can be an excellent training aid for preventing similar losses in the future.

RELATED BULLETINS:

COLLECTIONS-LOSSES-CHARGE-OFFS-PROCEDURE AND HISTORY SHEET PREPARATION
COLLECTIONS-BANKRUPTCY - CHAPTER XIII

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT LOSSES

TOPIC CHARGE-OFFS - PROCEDURE & HISTORY SHEET PREPARATION

 Date 3-27-69

Replaces Bulletin: COLLECTIONS - LOSSES - CHARGE-OFFS - PROCEDURE & HISTORY SHEET PREPARATION Dated 11-8-63

The Charge-Off History Sheet provides for complete and comprehensive analysis of the factors leading to charge-off. This bulletin explains preparation and routing of the Charge-Off History Sheet and accounting procedures required to charge off a loan.

CHARGE-OFF HISTORY SHEET (19-905 Rev. 11-68)

The History Sheet is designed so that it will serve for the analysis of loans to be charged-off in several areas of the bank: Loan and Discount, Sales Finance, CAS, Installment Loan, and others. It is also designed so that it will reflect multiple indebtedness within these areas, both prior to and at the time of charge-off. While the instructions and illustrations in this bulletin depict use of the History Sheet for installment charge-offs, the same general application should be made for the other departments using the form.

There are any number of factors which may contribute to a given loss. Basically these factors break down into two groups: Those prevalent at the inception of the loan and those subsequently influential during the servicing of the account. The format of the History Sheet is designed to highlight these factors and to provide for their analysis in a brief but clear and concise manner. From a practical standpoint, the History Sheet will not achieve satisfactory results if it is used merely to record the charging-off of an account for statistical purposes. However, on the other hand, if it highlights the factors which led to the loss in a clear and comprehensive manner so that we can learn from the charge-off experience, then it will have achieved its principal purpose. It is obvious, therefore, that to serve in this capacity, it is necessary that it be filled out completely, accurately, and in detail with adequate thought and care given to its completion.

PREPARING THE HISTORY SHEET

In the illustration of a completed History Sheet, appearing on pages 7 and 8, the account information is designed to illustrate a normal installment automobile loan being charged-off. Since each charge-off will have individual characteristics, the History Sheet must be completed in keeping with the loan information itself. Use of the History Sheet by CAS, Small Business or L&D will call for a somewhat different completion. However, the basic example illustrated can be followed in general concept.

All spaces in the upper half of the face side must be completed regardless of the type or source of loan. If a given space does not apply, it should be so indicated.

The lower portion of the face side is to be used for all loans which were extended for business purposes, regardless of which department of the bank originated the loan.

The reverse side is to be used for all personal loans, regardless of origin, and should be completed in detail following the instructions in the illustration on page 8.

Please refer to the illustration in this bulletin when preparing the Charge-Off History Sheets.

The original and all copies of the History Sheet must be initialed by the branch or department manager.

APPROVAL BY BOARD OF DIRECTORS

Accounts to be charged-off must have prior approval of the Board of Directors.

CHARGE-OFF PROCEDURE

ALL OUT-OF-ATLANTA OFFICES

1. Complete an original and four copies of the History Sheet. All copies must be initialed by the branch manager or department manager. One copy should be kept in the originating office installment loan department for balancing and control while Board approval is being obtained.

Procedures for obtaining Board approval vary between different cities and banks. Many executive officers review each account before it is submitted to the Board. The file, ledger card and note in addition to the History Sheet are often required. Follow the procedure as established in your bank or city. Use the original and two copies of the History Sheet to secure local Board approval.

2. When the original history sheet approved by the board is received by the originating office, prepare a debit entry on snap-out form #19-836 - Rev. 4-60 (see illustration on page 3).

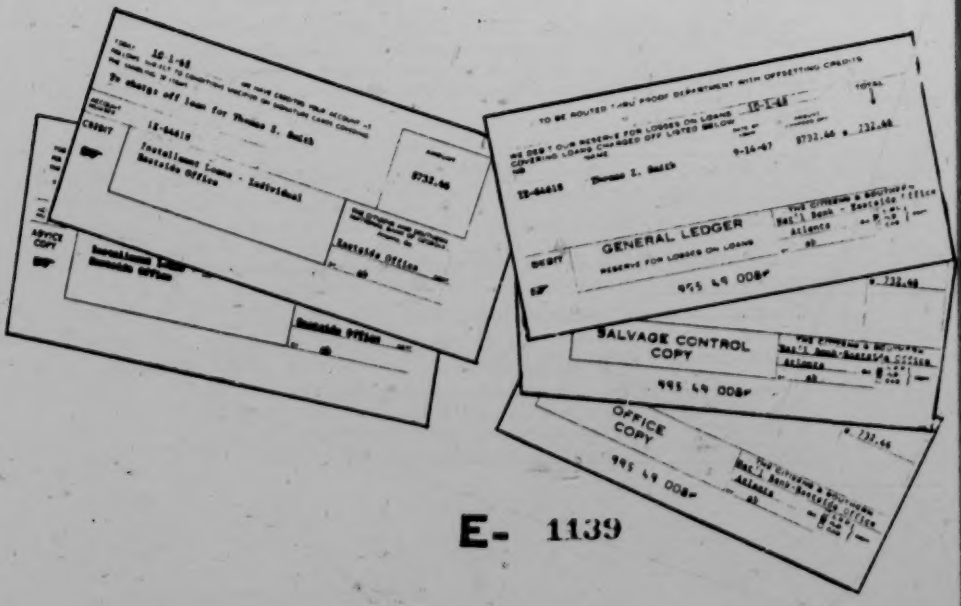
3. Use the original for your General Ledger entry.

4. Prepare a double credit to "Installment Loans - Individual (or Business) and use the original to offset your debit entry (see Illustration on page 3).

5. Use the copy of the credit ticket to post the charge-off from the appropriate installment controls. (DO NOT POST THE LEDGER CARD).

6. After board approval is secured, the original History Sheet should be filed chronologically in the permanent History Sheet file and a copy should be sent to the local salvage and recovery office.

7. Send the first copy of the debit ticket together with the second copy only (which contains board approval) of the History Sheet to System Consumer Credit, Atlanta.



NOTE: The charge-off debit ticket copy must always accompany every History Sheet sent to System Consumer Credit. It is no longer necessary to send the customer folder, but Board approval must be obtained before sending History Sheet to System Consumer Credit.

8. Pull the note (do not mark paid), and mark the wheeldex card "charge-off" or "P&L".

9. Send note, ledger card, folder and salvage control copy of the debit ticket to the Salvage and Recovery Officer for your bank or city.

10. All losses reflecting on the credit of the customer should be reported to local Credit Bureaus and C.I.F.

11. System Consumer Credit will order P&L ledger cards, folders and wheeldex from Central Billing for offices outside the Atlanta area. Central Billing will mail these records directly to the local Officer-in-Charge for proper distribution.

ATLANTA NATIONAL BANK

Variances in CAS and Sales Finance history sheet distribution make it impractical to outline a common routine at this time. This procedure applies to branches, and CAS and Sales Finance will be able to determine their own equivalents needed.

1. Complete an original and 4 copies of the History Sheet. Have all copies initialed by the branch manager.

2. Send the customer file and original and 4 copies of the History Sheet to Branch Supervision.

3. One copy of the History Sheet will be retained in Branch Supervision and one copy sent to System Consumer Credit. A picture of the History Sheet will be sent to the lending officer at his present location within the bank.

4. After review and comments, Branch Supervision will forward the customer file to Central Recovery Department and the original and two copies of the History Sheet to the Board for approval.

5. After Board approval, the original History Sheet will be sent back to the originating office, an approved copy will be sent to the Central Recovery Department, and the third copy will go into the credit file at Main Office Credit Department.

6. When the original History Sheet approved by the Board is received by the originating office, prepare a debit entry on snap-out form #19-836 - Rev. 4-60 (see illustration on page 3).

7. Use the original for your General Ledger entry.

8. Prepare a double credit to "Installment Loans - Individual (or Business)" and use the original to offset your debit entry (see illustration on page 3).

9. Use the copy of the credit ticket to post the charge-off from the appropriate installment controls.

10. Pull the note (do not mark paid), and mark the wheeldex card "charge-off" or "P&L".

11. Send the note, salvage control copy of the debit, and ledger card to the Central Recovery Department.

12. Central Recovery will report all losses reflecting on customer's credit to the local Credit Bureau (even though you may have previously reported it as past-due) and C.I.F. and will order the necessary P&L records for its own use from Central Billing.

ATLANTA AFFILIATE BANKS

1. Complete an original and 4 copies of the History Sheet and secure your own Board approval.

2. Send the Customer file, and original and 4 copies of the History Sheet to Branch Supervision.

3. Branch Supervision will review and comment.

4. Branch Supervision will then forward the customer file and one copy of the history sheet to Central Recovery, forward one copy to System Consumer Credit, forward the original to the originating office, and a copy to the Credit Files at Main Office, and send a picture of the History Sheet to the lending officer.

5. When the original History Sheet approved by the Board is received by the originating office, prepare a debit entry on snap-out form #19-836 - Rev. 4-60 (see illustration on page 3).

6. Use the original for your General Ledger entry.

7. Prepare a double credit to "Installment Loans - Individual (or Business)" and use the original to offset your debit entry (see illustration on page 3).

8. Use the copy of the credit ticket to post the charge-off from the appropriate installment controls.

9. Pull the note (do not mark paid), and mark the wheeldex card "charge-off" or "P&L".

10. Send the note, salvage control copy of the debit and ledger card to the Central Recovery Department.

11. Central Recovery will report all losses reflecting on customer's credit to the local Credit Bureau and C.I.F. and will order the necessary P&L records for its own use from Central Billing.

ORDERING FORMS

Charge-Off History Sheets (19-905) and Debit Tickets (19-836) may be requisitioned from the Purchasing Department, Atlanta, in the normal manner.

RELATED BULLETIN:

COLLECTIONS - LOSSES - CHARGE-OFF POLICY

Show all expenses incurred in handling the loss or repossession. All such items are to be charged to the appropriate expense account and not to the loss reserve. Show the total amount of the sale of collateral even if expenses are deducted before remittance.

HISTORY SHEET
CHARGE-OFFS and REPOSSESSIONS

Bastelde — 12-64618 — Thomas Z. Smith

☑ Installment Loan ☐ Charge Account ☐ Loan & Discount ☐ Sales Finance

☑ Charge to Reserve for Losses on Loans
☐ Charge to other Losses (Chargeoff, and Recoveries)
☐ Representation - Bank Liability With No Bank Loss

1781 S. Main Street
Jacksonville 11, Florida

None

None

PURPOSE OF LOAN: ☐ Business ☑ Personal

LOAN DATE OR CAR LINE DATE: 9-14-67

Automobile

Original Balance of Note Being Charged-Off: $2,371.50

Balance Unpaid by Borrower: 1,818.15

Credits: Sale of Collateral $ 400.00; Refund of Insurance Premiums $ 38.45; Rebate of Unearned Interest $ 147.24; Excess Reserve Applied $

Amount To Be Charged-Off: $ 732.46

List all collateral - originally on loan. List collateral sold, name and address of purchaser, date and amount of sale and amount of sales tax collected. Mention replacement paper on hand, and replacement only.

1962 Chevrolet Impala, 4 door Sedan
Sold to: Jones Motors, 2611 Thomas Avenue, Jacksonville, Florida on August 26, 1968 for $900.00

Expenses to Be Collected from Borrower:
Repairs and Storage $ 25.00
Repossession Costs $ 25.00
Legal Fees $
Other $

THE FACE OF THIS FORM IS TO BE USED IN ANALYZING LOSSES ON LOANS WHICH WERE EXTENDED FOR BUSINESS PURPOSE WHETHER ORIGINATING IN LOAN AND DISCOUNT OR INSTALLMENT LOANS. THE REVERSE SIDE IS TO BE USED IN ANALYZING PERSONAL LOSSES ORIGINATING IN CHARGE ACCOUNT SERVICE, INSTALLMENT LOAN OR LOAN AND DISCOUNT.

REMARKS: (1) Basis for granting the loan (2) Collection efforts (3) Reason for Delinquency and loss (4) Status of other relations with C & S and recommendations to Salvage Department as to future handling

This area to be used for loans which were extended for business purposes regardless of originating department. (LAD, Insta.Ioan, etc.)

Analysis should be brief but complete and should answer items (1) through (4) in every case. (See items (1) through (4) on reverse of history sheet).

Further follow-up recommended? Yes ☐ No ☐

BRANCH APPROVAL — By ABC — Date 9/12/68

SYSTEM APPROVAL — By STH — Date 9/16/68

BOARD OF DIRECTORS APPROVAL — Yes ☑ No ☐ — By JJH — Date 9/20/68

All information in these top sections applies to factors at inception of loan being charged-off.

ALL APPLICABLE SPACES BELOW MUST BE COMPLETED ON PERSONAL LOSSES

SOURCE OF OBLIGATION	INCOME	STABILITY	CREDIT INVESTIGATION	GRADING AT INCEPTION (Circle One)
( ) First Loan	Monthly 340.00	Occupation	Checked CIF	ILD / CAS
(X) Repeat Loan	Semi-mo $	Sales	Yes (X) No ( )	Good / Prompt
Renewal of	Weekly $	6 years	Credit Bureau	(Fair) / Slow
( ) ILD ( ) L&D ( ) CAS	Other Income	2 mos	Have File Yes (X) No ( )	Poor / Interest
( ) Additional Money	Amt. $ None	Home Owner	Is File Recent 6/68	Bad / Slow
( ) Revise Terms	Source	Yes (X) No ( )	Date Last Revised 7/66	None / Poor
( ) Collection				

CAS	Date	Amount
Original Line	5-67	$ 303.00
High Credit	11-67	189.00
Last Re-evel by	-	None
Placed in L & A cycle	-	None
Last Amount Rec'd	5-2-68	20.00
Oldest Past Due Pmt	4-68	17.00

Card Use Ins. Money ( ) Purchases ( ) Both (X)
Card(s) Repossessed Yes (X) No ( )
If not, explain in "3" below.

OTHER LOANS	Date	Amount
Original Debt	9-14-67	$ 2371.50
Add. Money		-
Renewal or Renewals $		-
Last Renewal or Re-vol.		-
Last Amount Rec'd.		-
Oldest Past Due Pmt. or Maturity Date		7-67
Number of Extensions		None

1. Analysis of factors contributing to this loss. (Check one or more where appropriate):

LOAN INCEPTION	SUBSEQUENT TO APPROVAL
( ) Incomplete investigation	( ) Loss of or reduced income
( ) Insufficient Income	( ) Unemployment
( ) Instability in employment and/or residence	(X) Excessive indebtedness
( ) Excessive indebtedness	( ) Excessive medical expense
( ) Questionable paying habits	( ) Sickness (Ineligible for disability ins.)
( ) Evidence of debt pyramiding—either bank or outside source	( ) Death (Ineligible for credit life ins.)
( ) Age—limited credit experience	( ) Skip
( ) Insufficient Collateral	(X) Marital difficulties
( ) Other	( ) Wage Earners Plan
	(X) Bankruptcy
	( ) Collateral Damaged and Uninsured
	( ) Fraud
	( ) Other

2. Resume of Collection effort.
Smith became delinquent on the June, 1968 installment which was paid 30 days late. CAS was checked and a delinquent account was discovered there also. In 7/68 an up-to-date report was obtained revealing heavy indebtedness. Our Bill of Sale was sent for recording and personal contact was attempted immediately. We found that Smith had skipped two days before and neighbors and employer did not know his location. Contact was made with a relative shown on the discount sheet who gave his address in Jacksonville, Florida. Third National, on our instructions to collect balance or repossess, picked up the car which Smith had seriously abused. Shortly after, Smith filed bankruptcy and has refused to re-pay the deficiency. Assets were $370.00 - Liabilities $4,375.00

3. Other loan accounts with bank.

Location	Balance	Collateral	Status & Remarks
CAS - Atlanta	$174.00		To be charged off this month.

4. $ 0 Amount of this loss attributable to Interbank.

5. ( ) Collectible (Recommendation for future handling) (X) Non-Collectible Bankruptcy

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT MILITARY PERSONNEL

TOPIC SOLDIERS' AND SAILORS' CIVIL RELIEF ACT

 Date 3/31/69

Replaces Bulletin: COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT Dated 10-27-61

A special kind of problem arises when men go into military service. While some problems will be incurred during adjustment period for the man whose salary will be reduced, our past experience shows such cases to be few. Most men are able to continue payments on their obligations with the Bank and do not take advantage of the Soldiers' and Sailors' Relief Act.

We feel that our experience was good because our collection approach was one of understanding and willingness to help the serviceman solve his problem.

GENERAL GUIDE LINES

The Soldiers' and Sailors' Civil Relief Act passed during World War II is still in force. A resume of the Act is reproduced on page 8. You will note that the Act does not provide for a general moratorium on debts, but provides for relief where the ability of the debtor to perform his obligations is materially affected by his military service.

The Act applies to obligations incurred prior to receipt of orders to enter service.

The Selective Service Act makes the Civil Relief Act applicable to "all persons in the armed forces of the United States including all persons inducted into the armed forces, the Coast Guard, or the Public Health Service". Because each account will vary in its circumstances, complete facts must be obtained from the man or from a member of his immediate family. A full discussion of the account will generally reveal that payments can be made as agreed, in one way or another. Wherever possible, encourage payment in full.

Personal loans generally will involve smaller balances and smaller monthly payments than other classes of loans. Revision of terms where necessary will aid in working out these accounts.

Endorsed loans should be handled along the same lines as personal loans. Show your willingness to work along with the endorser, but keep in mind that you obtained an endorser because of the credit position of the maker.

(IF an endorser is taken against the possibility of a borrower's entering military service, have the endorser execute a waiver, a copy of which appears on page 2. The endorser's waiver becomes void in the event the endorser is called into active service).

WAIVER OF BENEFITS OF SOLDIERS' AND SAILORS' CIVIL RELIEF ACT OF 1940, AS AMENDED, BY ACCOMMODATION MAKER, SURETY, ENDORSER, OR GUARANTOR

WHEREAS, the undersigned is an accommodation maker, surety, endorser or guarantor upon a certain debt owing to the C & S National Bank (or dealer, if Sales Finance) which debt is evidenced by the promissory note of Jefferson De Barker (maker) dated August 16, 1965 in the principal amount of $150.00 payable in 12 equal installments of $14.25 each on the 15th day of each month hereafter, together with interest at the highest legal rate after maturity until paid with attorney fees.

The undersigned does hereby waive the benefits afforded to him by subsections (1) and (2) of Section 103 of the Soldiers' and Sailors' Civil Relief Act of 1940 as amended in 1942 (Public Law 732, 77th Congress, Chapter 581 - 2nd Session, approved October 6, 1942) in respect to his liability on said note and debt and does hereby agree that:

1. Whenever, pursuant to any of the provisions of the Soldiers' and Sailors' Civil Relief Act of 1940 as amended, the enforcement of the debt or note above described, the prosecution of any suit or proceeding, the entry or enforcement of any order, writ, judgment or decree, or the performance of any other act in respect to such debt or note or related thereto may be stayed, postponed, or suspended, such stay, postponement or suspension shall not be granted to or for the benefit of the undersigned, and

2. If a judgment or decree upon or in respect to said debt or note is vacated or set aside, in whole or in part, as provided in said Soldiers' and Sailors' Civil Relief Act of 1940 as amended, such judgment or decree shall not be set aside or vacated as to the undersigned, and

3. That this waiver is for the benefit of the payee of said note, any subsequent holder thereof, the owner of said debt and any assignee thereof.

Dated at Atlanta Georgia this 20th day of October, 19 65

Jim L. Wehrg

Charge Account Service accounts will normally require the same type of handling as personal Installment Loans. Although the Act prohibits a creditor from charging a rate of more than 6% add-on indebtedness incurred before the customer entered military service, this restriction is effective only if the serviceman makes a request for relief under the Act and if his entry into the service has adversely affected his ability to pay. Thus, you should continue to charge the regular CAS service charge until such request is made or until it is apparent that the reduction of income requires a modification of the normal terms. If the normal terms are to be modified, execute an installment note using a 6% rate chart.

Automobile loans should be kept on their original payment schedule or liquidated in full. It is to the advantage of the men to dispose of their cars if income is insufficient to keep up the payments, because a car set up on blocks will deteriorate.

Home appliances will continue to be used by the family and regular monthly payments should be maintained. If the home is closed up, the purchaser should be urged to return the appliance to the dealer. The dealer is liable for repurchase of uncollectible accounts under this agreement with us. Before calling on him, however, be sure that the accounts have had thorough handling. Work closely with your dealers on these accounts.

Multiple accounts (CAS, ILD, and L&D) should be considered together as total indebtedness to the bank. If circumstances deem it advisable, these separate accounts should be combined for better servicing, and terms should be adjusted to accomplish the orderly liquidation of the indebtedness.

Repossessions may be made if merchandise is returned voluntarily after the man has entered the service. A RECEIPT FOR MORTGAGED PROPERTY (19-858 Rev. 1-64) SHOULD BE OBTAINED IF AT ALL POSSIBLE. Court decisions have upheld banks and other financial institutions on repossessions, particularly automobiles, since the collateral continues to depreciate in value whether it is used or placed in storage. The courts have held that prompt disposition of collateral (when no repayment is being made) is essential to preserve the equities of all concerned. Remember, in making a repossession on indebtedness created prior to entry into service, the serviceman cannot be held accountable for any deficiency remaining after the application of the proceeds of the sale of collateral to the loan.

Allotments of pay may be made to banks. Such an allotment will keep payments coming in regularly even if the man's pay is held up through transfer of station or other reasons. Several weeks will probably pass before the allotment is processed and payments start. In many cases, an extension will be appropriate.

Service serial numbers should be obtained when possible and used in all correspondence to insure prompt forwarding of mail.

Mark ledger cards of all these accounts with the words "Military Service" as you learn of the makers' entry into military service, so that the accounts will get special handling if they become past due.

Charge-off accounts that reach the normal charge-off period and continue to follow them as salvage items.

Credit life insurance continues in force as long as the accounts are in current receivables and not subject to charge-off under normal charge-off procedure.

WRITING THE CUSTOMER

Our past experience has proven that we have been able to do a good collection job where the borrower has been interviewed prior to his entry into service. Whenever you are aware that a man is about to enter the service, every effort should be made to achieve personal contact with him. This is the ideal time to secure a waiver of rights under the Soldiers' and Sailors' Relief Act if he is a reservist or an inductee who has received orders to report. (Benefits cannot be waived until the customer has been ordered to active duty). The major difficulty has been experienced where:

1. The man has fallen down on promises after entering the service.
2. The man failed to contact us prior to going in the service.

Assuming that you have exhausted your collection efforts with the wife or other relatives under condition 1 above, a letter should go immediately to the man at his station, reminding him of the promises made and trying to learn the reason for failure to pay as promised. The same procedure should be followed in the case of condition 2 above; however, the approach is different. The sample letter shown on page 5 has proved to be effective. The simple expedient of sending a carbon copy of this letter to the man's Commanding Officer, and so indicating on the letter, can be effective.

September 25, 1968

Pvt. Joseph C. Bellworth, US 768 50729
167 Signal Photo Company
Fort Gordon, Georgia

Dear Pvt. Bellworth:

We have been informed of your entry (reentry) into the Armed Forces. Accept our best wishes on your new assignment.

Your unsecured loan dated August 10, 1968 for $600.00, repayable in twelve monthly installments of $57.00 is past due since September 15, 1968. We realize that four or five weeks is required for readjustment and to establish an allotment to your wife or family. We want to work with you during this transition period and desire that you write to us if there is any information you require concerning your account with this Bank.

As you probably know, you are entitled to relief under the Soldiers' and Sailors' Relief Act under certain conditions; however, it is to your advantage to maintain your monthly installments while you are in the service if it is at all possible. Postponement of payments will create a hardship when you return from service. It may be easier for you to establish an allotment payable to The Citizens and Southern National Bank for the amount of your monthly installments. When the first allotment check is received, it will be applied to your account and the loan will be revised to bring it into current status.

Please write us in detail giving your plans for repaying this loan.

Yours truly,

G. C. Hodmith
Assistant Cashier

cc: Commanding Officer
167 Signal Photo Company
Fort Gordon, Georgia

WRITING THE COMMANDING OFFICER

If the man does not respond to the previously mentioned letter, we should communicate directly with his Commanding Officer. (We have already alerted him to the potential problem via the carbon copy). Here is a sample letter.

October 22, 1968

Commanding Officer
167 Signal Photo Company
Fort McPherson, Georgia 30330

RE: Indebtedness of Pvt. Joseph C. Bellworth, US 76850729

Dear Sir,

The above named member of your command has an account with us that is delinquent. He has not responded to our latest communication (copy attached).

The loan, unsecured, was made August 10, 1968, for a note total of $684.00 ($600.00 advanced). Purpose was to pay for flying lessons. Terms are 12 at $57.00 each, now past due for the September 10 and October 10 payments.

We realize that the Army cannot act as a collection agency for creditors. However, we also know that each man is expected to pay his just obligations to the best of his ability. We ask your assistance in urging Pvt. Bellworth to get in touch with us to work out a solution to this problem.

Very truly yours,

I. M. Determined
Assistant Cashier

cc: Pvt. Bellworth

SECURING A NEW ADDRESS

When a military customer becomes a skip, his new military address is available upon request including a fee of $1.50 made payable to:

Military Personnel Record Center
9700 Page Boulevard
St. Louis, Missouri 63132

Sample Letter:

> Dear Sir:
>
> Enclosed is a check for $1.50. Please send the correct Air Force/Army/Navy address of _____
> whose service number is _____,
> and whose home address was _____.
>
> Very truly yours,

You may expect response in 20-40 days.

"LAST RESORT ASSISTANCE"

After reasonable efforts fail to produce results through the commanding officer, then a final request can be made to the top officer or top legal officer of that particular branch of the service. They are:

The Judge Advocate General
Department of the Army
Washington, D. C. 20310

Department of the Navy
Office of the Judge Advocate General
Washington, D. C. 20350

Commandant, Marine Corps
Department of the Navy
Washington, D. C. 20350

Headquarters, USAF
Attention: J. A.
Washington, D. C. 20333

This is action of the LAST RESORT.

Replaces Bulletin: COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT Dated 10-27-61

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT

The Selective Service Act of 1948 continues the act in force until repealed or otherwise terminated by Congress. Some of the provisions of the Civil Relief Act are as follows:

Persons entitled to relief are members of the Army, Navy, Marine Corps, Coast Guard, Women's Army Auxiliary Corps and officers of the Public Health Service assigned to duty with the Army or Navy. Benefits are also extended to persons ordered to report for induction and to members of the Enlisted Reserve Corps ordered to report for military service during the period beginning on the date of receipt of the order.

Section 206 provides that interest, which includes "service charges, renewal charges, fees, or any other charges (except bona fide insurance)", shall not exceed six per cent per annum unless a court determines that ability to pay a greater rate is not affected by military service.

Sections 301 and 302 forbid repossession or foreclosure under contracts which originated prior to the debtor's military service, except as provided in Section 107, unless pursuant to an order of court. These sections also provide that a court may stay the proceedings for the period of military service and three months thereafter, if in its opinion the ability of the debtor to perform his obligation is materially affected by his military service. Section 303 provides that the court may appoint appraisers and, based upon their report, order such sum as may be just, if any, paid to the person in military service or his dependents as a condition to foreclosure.

Section 107 permits the voluntary surrender of security or the making of a new contract granting the right of repossession without court action in case of default, pursuant to a written agreement entered into after the debtor's induction or entry into military service.

Whenever a person in service is granted relief from the enforcement of an obligation, Section 103 (1) provides that a court in its discretion may grant the same relief to guarantors, endorsers, accommodation makers and other primarily or secondarily liable. These persons may waive this right if the waiver is contained in a separate written contract. The waiver becomes invalid, however, if the person signing it is later notified of his induction or enters military service.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT NOTICES

TOPIC

 Date 6/15/70

Replaces Bulletins: COLLECTIONS-NOTICES and COLLECTIONS-NOTICES-FIRST PAYMENT

To obtain acceptable results as economically as possible, the first step in collection procedure is an automatic notice sent out in the early stages of delinquency. This step eliminates costly personal handling of the majority of accounts that require only a reminder that a payment is past due. Accounts requiring special attention (notice exceptions) bypass the notice routine and are processed for immediate personal handling.

The computer begins the collection process by automatically assessing late charges and preparing a notice at the 10 days past-due point. (Ten days past due is the 11th day including the due date. When this day falls on a Saturday or a Sunday, notices will be prepared by Data Processing immediately after the Friday posting.) Since there are four due dates (1st, 8th, 15th, and 22nd), notices are sent out four times a month.

Data Processing prepares and mails notices automatically at that time for the Atlanta area. They also prepare and mail notices in bulk to each city for stuffing and mailing from that point.

NOTICE EXCEPTIONS

Under certain conditions, a Past Due Notice is not the desired type of collection activity. In these cases, a Collection Card will be produced automatically on the tenth day of delinquency instead of the Past Due Notice (See COLLECTIONS - COLLECTION CARD). Here are the situations that automatically create NOTICE EXCEPTIONS:

1. Sales Finance Automobile loans past due for any of the first three payments, and other loans past due for the first payment.
2. The first payment after an extension becomes past due.
3. When payments are due other than monthly.
4. The loan has become past due because of a debit to the balance.
5. The amount past due is more than $150.00.
6. The loan is coded "Repossession."
7. The last payment posted was paid by Disability Insurance.

There are two methods of causing the NOTICE EXCEPTION routine that require manual entries.

1. Entries on the Discount Sheet:
   a. At loan inception, if special handling is needed, enter code (2) in the Special Instructions Code space for "Special Collection Handling."
   b. Reworks for collection purposes should be coded (2) on the discount sheet.

Replaces Bulletins: COLLECTIONS-NOTICES and COLLECTIONS-NOTICES-FIRST PAYMENT

2. Later in the life of a loan, to get it treated as a NOTICE EXCEPTION, fill out a loan Master Record Change.

PAST DUE NOTICE

The Past Due Notice, shown below, shows the bank's return address (in each city) to which payments are to be mailed. A return mail (window type) envelope accompanies the notice. The notice form may be inserted in the window to address the envelope to the bank.

PAST DUE NOTICE

A REMINDER . . . that the payment on your loan has not been received. Unless the total now due has already been mailed, please mail it today. Late payments require special handling and a portion of this expense must be added to your loan. Avoid late charges by making your payments on or before each due date.

Account Number	Date Due	Payment Amount	Amount Past Due	+ Late Charge This Payment	+ Previous Unpaid Late Charge	= Total Now Due
52 01 00662	JUNE 1, 1970	60.00	60.00	3.00	3.00	66.00

To John A Nonymous
675 LEXINGTON AVE. S.W.
ATLANTA, GA.
30310

C & S NATIONAL BANK
SALES FINANCE DEPARTMENT
P.O. BOX 4357
ATLANTA, GA. 30302

This statement may be used with the enclosed envelope for mailing your payment and payment card.

The first two digits (52) of the account number indicate "BANK CODE"; the second two digits (10) indicate branch code. See Bulletin: ACCOUNTING AND GENERAL OPERATIONS - BANK BRANCH CODES.

FORMS NEEDED

In Atlanta, all handling is by Data Processing. Other locations need to stock two envelopes to use when mailing notices: #19-1151 Window Envelope for Notice, and #19-1152 Return Envelope.

RELATED BULLETIN:

COLLECTIONS - COLLECTION CARD

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT NOTICES

TOPIC ADJUSTORS CALL

 Date 6/12/70

Replaces Bulletin: COLLECTIONS-NOTICES-ADJUSTORS CALL-Dated 5-1-53

Accounts are referred to outside adjustors because it has not been possible to make contact by telephone or because follow-up from the inside has not been effective. It is the outside adjustors responsibility to plan his calls at hours when he will be able to make contact with the past due customer, either at home or at his place of employment.

There are times, however, when it is not possible to make contact and it is not practical to call back the same day. The "Notice - Adjustors Call" (Form 19-855, Rev. 2-69) shown on page 2, is designed to get as much benefit as possible from the attempted contact. It is a one-piece notice-envelope combination. The main objective of this notice is to establish personal contact with the past due customer.

Spaces are provided on the notice form to insert the name of the man handling the account inside the bank and the bank's telephone number. Be sure to seal the envelope, and write the customer's name clearly on the outside. Notices should not be left in the mail box.

Order forms from Purchasing in the usual way. Specify 19-855, Rev. 2-69.

Replaces Bulletin: COLLECTIONS-NOTICES-ADJUSTORS CALL-Dated 5-1-53

Fold the side flaps inward, then fold up once from bottom, fold down this gummed tab and seal.

Date_____

To_____

Account No._____

Dealer_____

It was necessary to contact you today because the amount past due, as shown below, has not been received. Please send the total amount due immediately or let us know why you are unable to do so.

If you would like to discuss your account, you may talk to_____ by telephoning_____

Date(s) Due_____

Amount of Installment(s) $_____

Late Charge_____

Total Amount Due_____

Representative_____

Payments may be forwarded through Western Union Telegraph by presenting cash funds together with your payment coupon to one of their offices. There is a small fee for this service.

39-855 Rev 2-69

E- 1156

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT OUTSIDE ADJUSTOR'S DAILY PERFORMANCE REPORTS

TOPIC

 Date 10-30-56

New Bulletin

Accounts assigned to outside adjustors are generally those which the inside adjustor is unable to contact. Quite often the outside adjustor's contact is the last hope in clearing up these accounts. In view of this, the outside adjustor's responsibility is great and consequently, he should exert every effort to establish contact and produce results on every collection call made. The quality of an outside adjustor's performance is gauged not only by the results obtained on each contact made, but also by the degree to which a complete adjustment is made.

Reproduced on the reverse is a new form (#19-875) which has been designed to standardize reports being used by outside adjustors in the various offices to record and measure their performance. The form is designed to cover any type of call or contact that an adjustor will make. It is divided into three groups:

1. Productive Calls
2. Non-Productive Calls
3. Dealer Contacts or Miscellaneous Calls

This form is to be used by all offices which have a full-time outside adjustor. It is available in pads of 100 and your requirements should be ordered from the Purchasing Department in Atlanta in the usual way.

CUSTOMER CONTACTS

Productive Calls

1. Accounts Collected Up to Date from Customer:

   The primary objective of the outside adjustor should be to find out why the account is past due and completely collect it up to date. In addition to collecting up to date, the adjustor should be sure the customer understands when payments are due and the importance of making future payments on time in order to maintain a good credit record.

2. Accounts Completely Adjusted by Partial Collection from Customer and Extension or Extension Only:

   If the account can not be collected completely up to date, the adjustor should collect as much as possible. He should find out the cause for the account being past due and how the customer plans to catch up the payments. If circumstances justify, an extension can be granted. However, the adjustor should assure himself that the customer not only has the income, but more important, a willingness and desire to pay before any extensions are granted. Extensions should be granted freely if justified, but never for the sole purpose of getting an account out of the past due category.

OUTSIDE ADJUSTOR'S DAILY PERFORMANCE REPORT

OFFICE _____

ADJUSTOR'S NAME _____ DATE _____

Mileage Beginning _____ Mileage Ending _____ Mileage Driven _____

CUSTOMER CONTACTS

PRODUCTIVE CALLS	*Number*
Accounts collected up to date *from customer* (Do not show accounts on which payment picked up from dealer)	
Accounts completely adjusted by partial collection *from customer* and extension or extension only	
Accounts partially collected from customer (still past due)	
Late charges collected: $_____ on _____ accounts.	
Accounts adjusted by repossession	
TOTAL PRODUCTIVE CALLS	
NON-PRODUCTIVE CALLS	
Accounts on which promise accepted (Show only accounts on which no collection made)	
Calls without obtaining results (no one home, etc.)	
TOTAL NON-PRODUCTIVE CALLS	
TOTAL CUSTOMER CALLS	

DEALER CONTACTS

Number of dealer wholesale checks made _____

Total number of items checked _____

Other dealer contacts — discussing past dues, picking up customer payments, etc. _____

	Number	*Time Spent*
Number of Physical Verifications		
OTHER (show type of call)		

New Bulletin

3. Accounts Partially Collected from Customer (Still Past Due):

These are accounts which cannot be collected up to date, and on which an extension is not justified. The adjustor should collect as much as possible. He should also find out the reason for the delinquency, as well as, make definite arrangements for future payments. If this is done, satisfactory future follow-up can be made without the expense of additional outside contact.

4. Late Charges Collected:

Personal contact is expensive. The outside adjustor can defray some of this additional expense by collecting late charges on <u>all</u> past due accounts. He should consistently request and collect late charges. This not only helps defray collection expense, but more important, it encourages a more prompt pay habit. He should collect at least 5% for each dollar past due with a minimum of $1.00 per payment. If, however, unusual expense is incurred in locating the customer and collecting the past due payment, a charge should be made that is in line with the expense involved.

5. Accounts Adjusted by Repossession:

These accounts are those which the adjustor is unable to collect and he determines that further collection effort is useless and hopeless. Show only those accounts, however, on which actual repossession is made. <u>Do not</u> show those on which you are unable to collect and a recommendation is made that repossession be brought about.

6. Total Productive Calls:

These are the total number of accounts on which the adjustor's efforts are effective. The quality of productiveness of the outside adjustor can be gauged by the number of productive calls. The higher percentage of productive calls contacted in relation with the total miles driven, the better the quality of performance.

<u>Non-Productive Calls</u>

1 Accounts on Which Promise Accepted:

These are accounts on which the adjustor is unable to effect any collection whatsoever. He should, however, get all information in regard to the account being past due, as well as, assure himself that the customer will be able to pay in accordance with the promise accepted. It should be remembered that often times the customer will make a promise even though it is absolutely impossible for him to fulfill it. Be <u>sure</u> that income and ability coincide with promise.

New Bulletin

2. Calls Without Obtaining Results:

   The outside adjustor should plan his trip and working hours so as to hold this group of calls to a minimum. Trips should be arranged so that there will be no doubling back and also, calls should be made when the customer is most likely to be at home.

3. Total Non-Productive Calls:

   These are the total calls on which the adjustor does not obtain immediate results. Since the adjustor's primary aim is to collect or adjust on the spot, non-productive calls should be at a minimum.

4. Total Customer Calls:

   These are the total of productive and non-productive calls. The quantity of the outside adjustor's efforts is gauged by "Total Customer Calls" made. The quality, however, is gauged by percentage of "Productive Calls" in relation to "Mileage Driven." Every effort should be made to make as many calls as possible, but the adjustor should never sacrifice quality for quantity.

DEALER CONTACTS

The outside adjustor is also responsible for the checking of dealer floorplanned merchandise. Floorplan financing is hazardous and can result in losses if not properly controlled. Wholesale checking is one of the adjustor's more important duties inasmuch as it is the control that makes it possible to lend money on this basis. He should thoroughly understand and comply with the instructions shown on the wholesale checking report. Refer to "Wholesale" operating bulletins in the "Sales Finance" section of the Operating Guide Bulletin for complete wholesale checking procedure.

The adjustor should plan his work so as to combine wholesale checking with calls on past due customers for the same dealer or in the same general locality. Whenever possible, the adjustor should contact the dealer when in his locality, working his past due accounts even though he does not have a wholesale check to make. This is important, not only to keep the dealer informed of collection effort, but also to obtain his assistance. Remember, quite often, he has a personal knowledge of the customer's present circumstances and can be a great help in locating and adjusting the account.

PHYSICAL VERIFICATIONS

Physical verifications are also a responsibility of the outside adjustor. These verifications are necessary in order to control the hazards connected with the purchasing of dealer originated retail paper. Refer to Operating Guide Bulletin "DEALER CREDIT - VERIFICATION OF #3 PAYMENTS" for a more detailed explanation of the procedure followed in making verifications.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT OUTSIDE ADJUSTOR

TOPIC REPORT OF ADJUSTMENT

PAGE 1 of 6

10-20-61
DATE

REPLACES BULLETIN: COLLECTIONS - REPORT OF ADJUSTMENT, Dated 3-4-55

For some time, review of collection effort in customer file folders has indicated that complete adjustment of delinquent accounts was not being made at the time of the outside collection contact. For this reason, the REPORT OF ADJUSTMENT (19-862) has recently been revised to include additional information necessary to make a complete collection contact with the customer and to make the form usable in the collection of CAS accounts as well as Installment Loan accounts. In addition, the form has been combined with the PHYSICAL VERIFICATION REPORT (19-864) and space has been provided for detailed information concerning repossessions.

While the revisions are intended to assist in insuring more complete collection adjustment, it must be emphasized that reports will not collect past-due accounts -- only hard work, resourcefulness, and salesmanship will accomplish this. The fact that space for additional information is supplied on the form does not guarantee that the use of the form by an Outside Adjustor will result in a properly completed collection contact. There is no substitute for the use of sound judgment in ascertaining the reasons behind a delinquent account and the steps necessary to best effect collection and place the account on a current basis in the future.

USE OF REPORT This form was designed primarily to be used as a report by Outside Adjustors. However, the form may be used whenever a file memorandum is needed covering the adjustment of a past-due account. In all cases where a physical verification or repossession is involved, use should be made of the appropriate sections of this form. Using the report form has a number of advantages:

1. It helps to organize the interview with the past-due customer to make certain that all essential information is obtained and complete adjustment is made.

2. It eliminates nonessential information from reports.

3. It provides a file report on which future collection may be based, if necessary, and which will permit faster review of the collection file.

4. It serves as a training tool to familiarize collection men with information which is essential and vital in the collection and adjustment of consumer loans.

COMPLETION OF THE REPORT The illustration of the face of the report (page 2) contains complete explanations for the use of spaces which have not been revised or added to the old form. If the report is to be effective, all remarks should be concise and to the point in order to avoid unnecessary writing and reading. The following paragraphs contain explanations for the use of revised sections of the form.

OPERATING

BULLETIN

SECTION COLLECTIONS

SUBJECT OUTSIDE ADJUSTOR

TOPIC REPORT OF ADJUSTMENT

PAGE 2 of 6

10-20-61
DATE

REPLACES BULLETIN: COLLECTIONS - REPORT OF ADJUSTMENT, Dated 3-4-55

ADJUSTMENT Whether we like to admit it or not, there are times when a delinquent customer is not able to bring his account up-to-date. Any such circumstances must be clearly brought to the attention of collection personnel so that decisions regarding repossession, dealer repurchase, or charge-off may be made. This space should be completed in all cases if the Adjustor is unable to either --

1. Effect the collection of the account to an up-to-date status, or

2. Arrange for a specific adjustment schedule which will bring the account up-to-date within a reasonable length of time.

Occasionally, the reason for delinquency will be something as simple as an improperly scheduled due date. Where this is the case, the Adjustor should recommend the changing of a customer's due date by indicating the proper date on the report. A due date change decision can only be made by the Outside Adjustor after having ascertained that this is actually the cause of the delinquency and that the customer's income is received at a date quite different from that scheduled for repayment of our loan. Care should be exercised in changing due dates on delinquent accounts. If an improperly scheduled due date is not the real reason for the delinquency, such a change will only serve to postpone whatever collection effort should have been made.

ADJUSTMENT SCHEDULE The Adjustment Schedule has been revised to provide specific space for the Original Due Date and the Payment Amount. These two items of information should be the same as shown on the Adjustor's copy of the ledger card. The Amount To Be Paid, Late Charges, and Date Will Pay should reflect the adjustment agreed upon by the customer and the Adjustor. The completed schedule must show a satisfactory and realistic means by which the account will be brought up-to-date, provided the customer fulfills his promises of payment. The itemized Adjustment Schedule should be used when the Adjustor and customer agree that the customer is able to "catch up" the delinquent installment(s) over a reasonable length of time, thereby bringing the account to a current condition as originally scheduled.

Specific space is now provided for extensions. Here again, the Adjustor must weigh all of the facts before reaching a decision; that is, the reason why the account is past due and the customer's ability to keep the account current if it is extended. Poor judgment in the use of extensions merely puts off the satisfactory adjustment of a delinquent account and usually places the Bank in a more difficult position when it becomes necessary to repossess, consummate dealer repurchase, or charge-off the account at a later date. An unjustified extension does not constitute a satisfactory adjustment since the account will merely become delinquent again as soon as the extended period of time is over. In the meantime, the outstanding indebtedness has not been reduced and the customer has obtained a grace period in which to further depreciate the collateral. Whenever an extension is in order and justified, concise and clear reasons should be shown and the extension information itemized in the three spaces provided. Extensions should not be granted without the collection of the appropriate extension fee - 1% of the unpaid balance.

REPLACES BULLETIN: COLLECTIONS - REPORT OF ADJUSTMENT, Dated 3-4-55

Where additional space is required for Adjustment Schedule comments, the Adjustor may continue his remarks in the section titled "Comments" at the bottom of the page.

FUNDS COLLECTED Since the primary purpose of any personal collection contact with the customer is to effect collection and bring the account up-to-date, as well as to adjust it, space is provided for the amount of money collected by the Adjustor. Space is also provided to indicate the amount of late charges collected. While the Bank is entitled to late charges whenever an account becomes delinquent, it is particularly important that late charges be collected whenever it is necessary that an outside adjustment contact be made so that the additional expense of collection so incurred will be at least partially offset. Under normal circumstances, no outside collection contact or adjustment is complete without collecting or making arrangements to collect late charges from the customer. (See Bulletin: COLLECTIONS - LATE CHARGES.)

REVERSE SIDE OF REPORT OF ADJUSTMENT Space is now provided on the reverse of the report to cover three major types of specialized information. The illustration (on the opposite page) of this side of the form indicates the more self-explanatory spaces. Detailed explanations are covered in the following paragraphs.

REPOSSESSION INFORMATION This section must be completed whenever merchandise is repossessed. Most of the information in this section is self-explanatory. Whenever a dealer contract is involved, the first three questions should be answered. In all repossessions, the balance of the form should be answered. This section is intended to serve as a check-off list to be sure that the Outside Adjustor takes the necessary steps in effecting repossession. It is important inasmuch as repossession constitutes a final and irrevocable act between the Bank and the customer. From this point on, either the dealer will be asked to pay off the contract or the customer will have to pay off the Bank in full to regain possession of the merchandise involved. It is, therefore, essential that complete information concerning the repossession be obtained.

PHYSICAL VERIFICATION In the past, the Physical Verification Report (19-864) has been a separate form. Since verification is often necessary in the adjustment of delinquent accounts, the Physical Verification Report has been made a part of the Report of Adjustment. Physical verification is generally performed in two instances:

1. Delinquent account adjustment. In this case, the Adjustor will complete the Report of Adjustment and the Physical Verification Section himself.

2. Verification of #3 dealer payment. When used for this purpose, customer identification information and the kind of merchandise will be filled in before the report is given to the Adjustor. (See Bulletin: SALES FINANCE - DEALER CREDIT - VERIFICATION OF #3 PAYMENTS.)

REPOSSESSION INFORMATION

(Complete Whenever Merchandise Is Repossessed)

If Automobile always attach completed APPRAISAL SHEET (UB-972)

Was Dealer contacted before repossession? ☐ Yes ☒ No

If No - State Reason Dealer not close to customer-Need to repossess not known to Dealer

Did Dealer or his representative assist in repossession? ☐ Yes ☒ No

Was check obtained from Dealer for net balance? ☒ Yes ☐ No - Amount $ 152.35

Was customer cooperative during repossession? ☒ Yes ☐ No

Was a RECEIPT FOR MORTGAGED PROPERTY obtained from customer? ☒ Yes ☐ No (If yes - attach) (If no - state why?)

Location of merchandise: Dealer ☒ Other ☐

Address Athens, Georgia

If Dealer liability reported (Does it have outstanding) describe condition

PHYSICAL VERIFICATION

Was Physical Verification Witnessed

(1) A Bona payment is past due

(2) It is suspected that the customer no longer has the merchandise in his possession

(3) If repossessed, provide date and agency with bank

BALANCE ACCORDING TO CREDIT RECORDS $ 152.35 Date 10-26-61

Last Payment of $ 11.85 was made on 9-1-61 (date) To Bank ☐ Dealer ☒

Our unpaid bank in the possession of Customer ☐ Other ☒ (Explain in verification comments)

Motor # [illegible] Year Model 1958

Serial Number 6B3-[illegible] (with engine) Located at Customer's home

Have any notes or letters been received from another bank or finance company? Yes ☐ No ☒ (If yes explain in comments)

VERIFICATION COMMENTS

(Describe condition of collateral [illegible] CONDITION: [illegible]

ABILITY TO PAY

(List amount and substantiate where discrepancy in due to circumstances)

(SEE PRECEDING ILLUSTRATION.)

Whenever a dealer is not involved and the repossessed merchandise will have to be disposed of by the bank, it is essential that an appraisal of the condition of the merchandise be available to those handling the final liquidation of the account. (The automobile appraisal sheet will serve this purpose in the case of auto repossessions.)

IMPORTANT - Make a Physical Verification whenever

All information is essential and must be completed whenever a physical verification is made.

E- 1165

Replaces Bulletin: "COLLECTIONS - REPORT OF ADJUSTMENT" Dated 3-4-55

Physical verification is the act of inspecting the collateral of a loan as to its identity (serial number, make, etc.), location, and condition, and of obtaining purchase and payment information from the customer's records. A delinquent account may indicate that the customer does not have possession of the collateral; if this is the case, we no longer have collateral benefits to rely on.

The possibility of fraud also exists in that the customer may have disposed of the collateral and not paid off his account or, in the case of dealer paper, the Bank may have purchased a fraudulent contract (no sale ever consummated or different merchandise financed). Collateral may have been returned to, or repossessed by, the dealer without his repurchase of the contract.

When the customer's records do not agree with the Bank's, the Bank may have made an error in posting, the payment may have been lost in the mail, or the customer may have made payments to the dealer who did not forward them to the Bank. WHENEVER THE POSSIBILITY OF FRAUD EXISTS AND THE DEALER MAY BE INVOLVED, THE ADJUSTOR SHOULD NOT CONTACT THE DEALER WITHOUT FIRST CONTACTING THE BANK. In all cases of verification, the report should be completed in full. IN ALL CASES WHERE THE PHYSICAL VERIFICATION PORTION OF THIS REPORT IS USED, IT MUST BE COMPLETED IN ITS ENTIRETY.

ABILITY TO PAY In many cases, the reason for delinquency is the result of over extension by the customer. In all such cases, no adjustment can satisfactorily be effected without knowing both the income of the customer and his indebtedness. Whenever over-extension is the reason for the customer's delinquency, his income, all indebtedness, and his required repayment schedule should be listed in this space. This information can be used to determine whether the customer can bring his account up-to-date and, if so, in what manner.

SUPPLY OF REPORT The Report of Adjustment is available in pads of 100 and may be requisitioned, by form number, from the Purchasing Department, Atlanta

RELATED BULLETINS
COLLECTIONS - LATE CHARGES
COLLECTIONS - REPOSSESSION - BILL OF SALE
COLLECTIONS - REPOSSESSION - RECEIPT FOR MORTGAGED PROPERTY
SALES FINANCE - DEALER CREDIT - VERIFICATION OF #3 PAYMENTS

E- 1166

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT PAST DUE LIST

TOPIC

 Date 7/9/70

NEW BULLETIN

Data Processing prepares the INSTALLMENT LOAN PAST DUE LIST on the 1st working day and on the 17th of each month to provide each branch and sales finance department with a complete listing of loans in collection follow-up. When there is a holiday, the past due list will be prepared prior to the holiday. AN ILLUSTRATION IS SHOWN ON PAGE 2.

The main purposes of the list are:

1. To provide Branch or Bank management with a listing of past due loans. Managers should use it to check on overall progress every few days, as well as to keep informed on specific amounts.
2. To provide a listing of each sales finance dealer's past due accounts. A carbon copy of the list is included which may be sent to dealers on a selective basis.
3. To provide a check list to be compared with the Collection Card file to insure that a Collection Card is retained for each loan in collection follow-up. Under our old ledger card system, we could thumb through the ledger cards and check for "sleepers." Under the new system, the only way we can check for sleepers is to check collection cards against the past due list. This must be done at least once a month.

BRANCHES

A separate list is produced for each branch, affiliate, or correspondent associate that is on the computer system. Loans are grouped by Loan Class, and are in alphabetical order by customer name within each loan class grouping.

SALES FINANCE

The Past Due List is produced for each Sales Finance Department (and for branches with Sales Finance loans). Loans are grouped by Loan Class and within each class, by Dealer. Within each dealer grouping, loans are in alphabetical order. For large sales finance departments, loans are grouped first by Unit, in addition to the groupings described above to provide each unit with a listing of its own past dues. Totals are provided for each unit, dealer and for total Sales Finance.

SPECIAL NOTES

1. If the TOTAL amount past due is less than $5.00, the loan will not be listed.
2. If the total amount past due is a full payment in one column, and less than $5.00 in the next column, the under $5.00 amount will not be aged delinquent.

RETENTION

Past Due Lists should be retained for one month and then destroyed.

RELATED BULLETIN: COLLECTIONS - COLLECTION CARD

INSTALLMENT LOAN PAST DUE LIST

BK BR TYPE UNIT
1 1

C C C BANK OF SOUTH DEKALB — MAIN OFFICE — DATE 01-31-70 — PAGE 1

LOAN NUMBER	CUSTOMER NAME																		COLLATERAL OR INDORSER	
	CLASS 1 AUTO																			
00052	FRANKLIN, A B																			
	CLASS 2 COLLAT																			
00018	FAUPEL, JIM J																			
00048	THOMAS, DANIEL A				285														1969 PONT	
	CLASS 3 INDORSED																			
00130	TINRICH, ARTHUR A																		LON L STUBBS	
	CLASS 4 SIGNATURE																			
00117	ARMOR, JANE J																			
00118	BRANAM, ALFRED A																			
00065	FARSHY, FRED Q				185															
00098	LAMPEL, GARY C																			
BRNCH	TOTALS-NO.ACCTS AGED																			
	BALANCES AGED																			

E-1168

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS

TOPIC BILL OF SALE

 Date 4-19-68

Replaces Bulletin: COLLECTIONS - REPOSSESSIONS - BILL OF SALE" Dated 7-8-54

In connection with the sale of repossessed merchandise, it is necessary to give a Bill of Sale to the purchaser. A standardized Bill of Sale form appears on the reverse page.

The provisions are self-explanatory but we want to point out these highlights --- reference to the power of private sale in our Security Agreement or Conditional Sales Contract, sale of property "as is" and no warranty except to title.

Prepare this form in duplicate; the original is given to the purchaser and the duplicate filed in your customer's folder.

Please order your requirements from the Purchasing Department in Atlanta in the usual way.

Replaces Bulletin: "COLLECTIONS - REPOSSESSIONS - BILL OF SALE" Dated 7-8-54

BILL OF SALE _____, 19___.

(In Foreclosure)

STATE OF_____

COUNTY OF_____

In consideration of the sum of $_____, in hand paid, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby sells and conveys unto

_____

_____(hereafter called "Buyer")

the following described property:

The parties recognize that this sale is made pursuant to the provisions of applicable law, following the default by_____

_____(hereafter called "Debtor") &

under a certain Security Agreement dated_____, 19___, between undersigned (or undersigned's predecessor in title) and Debtor, and serves only to transfer to Buyer all of Debtor's rights in and to the property and discharge the security interest of undersigned and any other such interest or lien subordinate thereto.

Undersigned warrants Good Title and full compliance with or lawful waiver of renunciation of all provisions of law applicable hereto, but makes NO FURTHER WARRANTIES OF ANY KIND, express or implied, Buyer taking the property "AS IS."

Received: _____

_____ By_____

Buyer

19-941—Rev. 1-64

E-1170

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS

TOPIC INSURING OF

 Date 9-8-64

New Bulletin

Recently, there has been some confusion as to the insuring of repossessions. In the past, certain protection has been available to us under our wholesale automobile policy. A complete review of our exposure with regard to repossessions has just been made, and it has been concluded that the risk does not justify either the additional premium or the time and effort required to specifically insure repossessions. The procedures to be followed are:

IF CUSTOMER'S INSURANCE IS IN EXISTENCE AT THE TIME OF REPOSSESSION Coverage on the vehicle should be continued until the repossessed unit is disposed of. The insurance carrier must be notified by letter of the change of ownership and of our interest in the coverage being continued until disposition is made of the collateral. The policy should be surrendered for cancellation and return of unearned premium at the time of final disposition of the collateral. If liability insurance is in force (and was financed), it should be cancelled at the time of repossession.

IF THERE IS NO INSURANCE AT THE TIME OF REPOSSESSION We will self-insure against fire, theft and collision losses as well as property damage liability. It is not necessary to purchase outside single interest insurance to protect against these hazards. It should be understood that the term "self-insure" means that we take the risk without any insurance protection.

LIABILITY AND BODILY INJURY We are protected automatically against the exposure under the Bank's Automobile Liability Policy through Liberty Mutual. This is outlined in the article dated May 11,1962, in the Comptroller's Manual - Section: INSURANCE, Topic: AUTOMOBILE LIABILITY POLICY.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS

TOPIC RECEIPT FOR MORTGAGED PROPERTY

 Date 9-6-57

Replaces Bulletin: "REPOSSESSIONS - RECEIPT (19-858)" Dated 9-20-54

Acting on a suggestion received from the local attorneys of one of our offices, we have revised our Receipt for Mortgaged Property (19-858) to clarify that the act of voluntary repossession does not rescind the original contract.

In almost all instances involving repossession, the customer will voluntarily give up the merchandise if properly approached, and repossession can be made without foreclosure proceedings. However, in these voluntary repossessions there are three risks which the bank faces:

1. The customer could later claim that the bank's representatives used force and/or intimidation in obtaining possession of the equipment.

2. The customer could later claim that the bank's repossession of the equipment constituted a full settlement of his debt and thus terminate his contract. This would prevent our obtaining any deficiency judgment after the sale of the equipment.

3. The customer could later state that he was not given an opportunity to remove his personal property from a repossessed automobile. He could then make a counter claim that such property be restored by the bank.

To eliminate these risks and subsequent counter claims, the Receipt for Mortgaged Property should be used whenever automobiles or other merchandise is repossessed or stored. This applies to all repossessions, bank or dealer liability, including repossessions made on "Foreign Claims".

In addition to the protection afforded the bank, this Receipt is a tool which will give the bank representative a more graceful and positive approach in connection with the actual repossession since it is called a "Receipt" and requires the signature of the bank's representative also.

The form should be completed in duplicate -- the original given to the customer and the duplicate filed in the customer's folder.

Because of the additional legal advantages, the revised form should be put into use immediately. Please order your requirements from the Purchasing Department in Atlanta.

E-1172

RECEIPT FOR MORTGAGED PROPERTY

The following described property: September 6, 19 57

MAKE	YEAR	MODEL	MOTOR OR SERIAL NUMBER	TAG NUMBER
Plymouth	1955	Savoy 4-dr.	P27-40376	1-7058-GA-57

being collateral described in and subject of a certain Security Agreement dated September 6, 19 57, between undersigned and The Citizens & Southern National Bank (hereafter called "Secured Party"), or Secured Party's predecessor in title is hereby freely and voluntarily delivered to Secured Party for the purpose of disposition or retention in accordance with applicable law.

Undersigned acknowledges that he is in default under said Security Agreement and that all articles of value owned by or in the custody of undersigned have been removed from the property before this delivery.

Undersigned expressly renounces whatever right he may have that the property be disposed of within 90 days hereof.

Undersigned represents that said property ☑ was ☐ was not acquired and used primarily for personal, family or household purposes.

Witness: Jane Witness

John Doe
Debtor

Received the above described property on the terms and conditions stated.

The Citizens & Southern National Bank

Jay Banker
Secured Party

— DEALER RECEIPT —

This acknowledges receipt from the Secured Party named in the foregoing Receipt for Mortgaged Property of the property described therein, pursuant to undersigned's obligation to repurchase same.

Dated 7th day of September, 19 57

ABC Auto Sales, Inc.

Henry Owner
Dealer

E- 1173

OPERATING BULLETIN

SECTION COLLECTIONS
SUBJECT REPOSSESSIONS
TOPIC SALE OF

 Date 7-15-64

New Bulletin

The Uniform Commercial Code makes it necessary that changes be made in our present procedures for disposing of repossessed goods and the purpose of this bulletin is to outline the procedures to be followed.

DISPOSITION OF REPOSSESSED GOODS Repossessed goods (including automobiles) must be disposed of in all cases. If the goods are "consumer goods" and the customer has paid 60% of the cash price in the case of a purchase money security interest or 60% of the amount of loan in other security interests, the disposition of the goods must be completed within 90 days unless this right has been waived by the customer after default. (The RECEIPT FOR MORTGAGED PROPERTY contains such a waiver; however, if a receipt was not obtained or if this waiver was deleted, we must be positive that this condition is met since the penalty for failure to do so is rather severe).

The Uniform Commercial Code permits a secured party to follow specific procedures in proposing to retain the collateral for their own use and thereby cancel the debtor's obligation. We will not use this and it is mentioned here only for general knowledge and conversation with dealers in the event that dealers ask about it (see bulletin on Uniform Commercial Code - General). For our purposes, all repossessions must be disposed of by (1) release to the customer, (2) sale, or (3) delivery to a dealer. "Bank Liability Repossessions" will be sold and "Dealer Liability Repossessions" returned to the dealer.

BANK LIABILITY REPOSSESSIONS All repossessions disposed of by the bank by sale or release to the customer are Bank Liability Repossessions. This will include all repossessions made by the Bank EXCEPT those returned to a dealer or guarantor under a full or limited liability repurchase agreement, recourse agreement or guarantee. A repossession under a recourse or repurchase agreement limited to a specified reserve may or may not be a Bank Liability Repossession. If the goods are returned to a dealer and the contract reassigned to the dealer, it is a Dealer Liability Repossession; but if the Bank sells the goods to someone other than the dealer, it is a Bank Liability Repossession even though the deficiency is charged to the reserve.

All Bank Liability Repossessions should be disposed of in accordance with the following procedures:

Release to the Customer - Once a repossession is made it is seldom advisable to release the goods to the customer except upon payment in full of our debt. When done, all circumstances must be carefully considered; particularly, (1) change in customer's circumstances, (2) substantial strengthening of the contract by an endorser or additional bank held collateral, and (3) substantial reduction with assurance of future availability of the collateral and satisfaction

REVISION OF PAGE 2 Dated 7-15-64

that collateral will not be unduly abused.

Sale of Repossessed Goods - Repossessed goods may be sold at public or private sale; however, in the consumer division private sale will continue to be the standard method of disposing of these. The following procedures must be followed in a private sale: (See REPOSSESSIONS - SALES FINANCE - DEFICIENCY CLAIMS).

A. Consumer Goods:

(a) Give written notice to the customer of our intent to sell at least five days before the sale is made. The letter does not have to specify the date of the sale, but only our intent to sell after some specified date. The letter should describe the goods.

R (b) Obtain at least (3) competitive bids, in writing if possible, to establish reasonable value and in order to obtain the best price possible.

(c) Furnish buyer with a BILL OF SALE IN FORECLOSURE - 19-841, Rev. 1-64. This revised form should be used in all cases and it should be noted that we sell "AS IS" in all cases and make R no warranties other than warranting good title. (If selling to a retail buyer, it is best to inform the buyer of the possibility of unpaid ad valorem taxes on a vehicle. This will almost always be the case if the vehicle bears the previous year's license plate).

(d) If the repossession is a titled vehicle, follow the steps in paragraphs (a), (b), (c) above and:

1. Complete a T-16 form, AFFIDAVIT FOR REPOSSESSED MOTOR VEHICLE (if sale is to a dealer complete assignment portion on bottom).
2. Complete a T-4 form, SECURITY INTEREST CANCELLATION.
3. If original Title Certificate is not held by bank (loans prior to 3-13-64) attempt to obtain from customer with or without his signature on reverse.
4. Give buyer:
   aa. The T-16
   bb. The T-4
   cc. The title (whenever obtainable on loans prior to 3-11-64 and on all loans made after 3-11-64, customer does not have to sign title).

(e) If the repossession is a non-titled vehicle on which a T-3 has been filed, it must be released (complete portion held by bank and send to Title Dept.) within 5 days of sale of repossession.

B. Property other than Consumer Goods:

(a) Check the appropriate filing records to determine if there are other creditors of record claiming an interest in the property.

(b) Give at least 5 days written notice to the customer and to any other creditor of record, or known to us, claiming an interest.

(c) Obtain at least (3) competitive bids.

(d) Furnish buyer with BILL OF SALE IN FORECLOSURE - 19-841, Rev. 1-64. This revised form should be used in all cases and it should be noted that we sell "AS IS" in all cases and made no warranties other than warranting good title.
(e) If repossession is a vehicle follow steps in (d) or (e) under CONSUMER GOODS above.

REPORTING BANK LIABILITY REPOSSESSIONS AND SALES TAX

System Consumer Credit maintains a log of all Bank Liability Repossessions. The repossession itself is picked up from Potential Loss Reports and Charge-Off History Sheets. The sale is picked up from Charge-Off History Sheets, therefore, history sheets must be prepared on ALL Bank Liability Repossessions whether or not there is any bank loss. In each case, the following must be shown:

1. Name and address of buyer.
2. Date of sale.
3. Amount of sale.
4. Amount of sales tax collected, or sales tax exemption number.

If no bank loss exists, only the original of the history sheet need be sent to System Consumer Division.

DEALER LIABILITY REPOSSESSIONS

Dealer Liability Repossessions are repossessions wherein the repossessed goods are repurchased by the dealer. This may be by payment of the entire unpaid balance or by partial payment with the remainder charged to the dealer's reserve. In each case, not only is the interest in the goods themselves transferred to the dealer, but also the security agreement is reassigned to the dealer. The dealer is at that time subrogated to our rights and to all of the responsbilities of a secured party in disposing of repossessions. The dealer must take the necessary steps to permit him to retain the goods for his own use and cancel the customer's obligation, or dispose of the merchandise after giving notice "all in a commercially reasonable manner." Once we deliver the merchandise to the dealer under such arrangements, it becomes his responsibility to comply with the provisions of the Code.

We are interested in helping our dealers wherever possible and are willing to discuss with them our method of handling disposition of repossessed goods; however, we cannot give them legal advice as to their requirements. On such questions they should be referred to their local counsel. In an effort to familiarize our dealers with the requirements we have printed a temporary supply of U.C.C. Article 9 - 504, 505, 506, and 507 dealing with disposition of collateral (reproduced on page 5). A supply is being sent to each Sales Finance Office together with a suggested cover letter. Cover letters should be individually typed on your bank stationery to all dealers and sent together with a copy of the code sections. A copy should also be given to all new dealers during the next 3-6 months at the time of acquisition.

If the repossession is a vehicle follow the same steps in (d) or (e) under the preceding paragraph "CONSUMER GOODS."

NOTE: Repossessions returned to a dealer's floor become part of his

inventory. If we floorplan for the dealer and have a Financing Statement on record, our interest in the returned goods continues perfected. If we do not have a Financing Statement covering inventory on record, our interest in the returned goods becomes unperfected, however, we would still take priority over another secured party claiming inventory because of their floorplanning for the dealer. Our exposure would only be to creditors other than the floorplan lender, line creditors (including a trustee in bankruptcy) and certain tax liens placed on the execution docket. This risk is minimal because of our follow-up on our dealers and knowledge of their financial condition and we can continue handling as in the past. However, it is important to understand the above provisions and in the event we leave repossessed goods on the floor of a financially weak dealer without being promptly paid, we should obtain and file a Financing Statement covering the specific goods as part of his inventory (if we have not already filed on inventory).

109A-9--504. SECURED PARTY'S RIGHT TO DISPOSE OF COLLATERAL AFTER DEFAULT; EFFECT OF DISPOSITION.--(1) A secured party after default may sell, lease or otherwise dispose of any or all of the collateral in its then condition or following any commercially reasonable preparation or processing. Any sale of goods is subject to the Article on Sales (Article 2). The proceeds of disposition shall be applied in the order following to

(a) the reasonable expenses of retaking, holding, preparing for sale, selling and the like and, to the extent provided for in the agreement and not prohibited by law, the reasonable attorneys' fees and legal expenses incurred by the secured party;

(b) the satisfaction of indebtedness secured by the security interest under which the disposition is made;

(c) the satisfaction of indebtedness secured by any subordinate security interest in the collateral if written notification of demand therefor is received before distribution of the proceeds is completed. If requested by the secured party, the holder of a subordinate security interest must seasonably furnish reasonable proof of his interest, and unless he does so, the secured party need not comply with his demand.

(2) If the security interest secures an indebtedness, the secured party must account to the debtor for any surplus, and, unless otherwise agreed, the debtor is liable for any deficiency. But if the underlying transaction was a sale of accounts, contract rights, or chattel paper, the debtor is entitled to any surplus or is liable for any deficiency only if the security agreement so provides.

(3) Disposition of the collateral may be by public or private proceedings and may be made by way of one or more contracts. Sale or other disposition may be as a unit or in parcels and at any time and place and on any terms but every aspect of the disposition including the method, manner, time, place and terms must be commercially reasonable. Unless collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, reasonable notification of the time and place of any public sale or reasonable notification of the time after which any private sale or other intended disposition is to be made shall be sent by the secured party to the debtor, and except in the case of consumer goods to any other person who has a security interest in the collateral and who has duly filed a financing statement indexed in the name of the debtor in this State or who is known by the secured party to have a security interest in the collateral. The secured party may buy at any public sale and if the collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations he may buy at private sale.

(4) When collateral is disposed of by a secured party after default, the disposition transfers to a purchaser for value all of the debtor's rights therein, discharges the security interest under which it is made and any security interest or lien subordinate thereto. The purchaser takes free of all such rights and interests even though the secured party fails to comply with the requirements of this Part or of any judicial proceedings

(a) in the case of a public sale, if the purchaser has no knowledge of any defects in the sale and if he does not buy in collusion with the secured party, other bidders or the person conducting the sale; or

(b) in any other case, if the purchaser acts in good faith.

(5) A person who is liable to a secured party under a guaranty, indorsement, repurchase agreement or the like and who receives a transfer of collateral from the secured party or is subrogated to his rights has thereafter the rights and duties of the secured party. Such a transfer of collateral is not a sale or disposition of the collateral under this Article. (Acts 1962, pp. 156, 422.)

109A-9--505. COMPULSORY DISPOSITION OF COLLATERAL; ACCEPTANCE OF THE COLLATERAL AS DISCHARGE OF OBLIGATION.--(1) If the debtor has paid 60 per cent of the cash price in the case of a purchase money security interest in consumer goods or 60 per cent of the loan in the case of another security interest in consumer goods, and has not signed after default a statement renouncing or modifying his rights under this Part a secured party who has taken possession of collateral must dispose of it under 109A-9--504 and if he fails to do so within 90 days after he takes possession the debtor at his option may recover in conversion or under 109A-9--507(1) on secured party's liability.

(2) In any other case involving consumer goods or any other collateral a secured party in possession may, after default, propose to retain the collateral in satisfaction of the obligation. Written notice of such proposal shall be sent to the debtor and except in the case of consumer goods to any other secured party who has a security interest in the collateral and who has duly filed a financing statement indexed in the name of the debtor in this State or is known by the secured party in possession to have a security interest in it. If the debtor or other person entitled to receive notification objects in writing within 30 days from the receipt of the notification or if any other secured party objects in writing within 30 days after the secured party obtains possession the secured party must dispose of the collateral under 109A-9--504. In the absence of such written objection the secured party may retain the collateral in satisfaction of the debtor's obligation. (Acts 1962, pp. 156, 424.)

109A-9--506. DEBTOR'S RIGHT TO REDEEM COLLATERAL.--At any time before the secured party has disposed of collateral or entered into a contract for its disposition under 109A-9--504 or before the obligation has been discharged under 109A-9--505(2) the debtor or any other secured party may unless otherwise agreed in writing after default redeem the collateral by tendering fulfillment of all obligations secured by the collateral as well as the expenses reasonably incurred by the secured party in retaking, holding and preparing collateral for disposition, in arranging for the sale, and to the extent provided in the agreement and not prohibited by law, his reasonable attorneys' fees and legal expenses. (Acts 1962, pp. 156, 425.)

109A-9--507. SECURED PARTY'S LIABILITY FOR FAILURE TO COMPLY WITH THIS PART.--(1) If it is established that the secured party is not proceeding in accordance with the provisions of this Part disposition may be ordered or restrained on appropriate terms and conditions. If the disposition has occurred the debtor or any person entitled to notification or whose security interest has been made known to the secured party prior to the disposition has a right to recover from the secured party any loss caused by a failure to comply with the provisions of this Part. If the collateral is consumer goods, the debtor has a right to recover in any event an amount not less than the credit service charge plus 10 per cent of the principal amount of the debt or the time price differential plus 10 per cent of the cash price.

(2) The fact that a better price could have been obtained by a sale at a different time or in a different method from that selected by the secured party is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. If the secured party either sells the collateral in the usual manner in any recognized market therefor or if he sells at the price current in such market at the time of his sale or if he has otherwise sold in conformity with reasonable commercial practices among dealers in the type of property sold he has sold in a commercially reasonable manner. The principles stated in the two preceding sentences with respect to sales also apply as may be appropriate to other types of disposition. A disposition which has been approved in any judicial proceeding or by any bona fide creditors' committee or representative of creditors shall conclusively be deemed to be commercially reasonable, but this sentence does not indicate that any such approval must be obtained in any case nor does it indicate that any disposition not so approved is not commercially reasonable. (Acts 1962, pp. 156, 425.)

E4178

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS - SALES FINANCE

TOPIC DEFICIENCY CLAIMS

 Date 9-1-67

NEW BULLETIN

In addition to requirements under the Uniform Commercial Code, the Retail Installment and Home Solicitation Sales Act and the Motor Vehicle Sales Finance Act sets forth procedures that must be followed before the holder of a defaulted sales contract is entitled to collect a deficiency.

At the time of repossession of a vehicle or goods subject to these Acts, the bank (on non-recourse paper) or the dealer (on repurchase or recourse paper) must decide whether to be satisfied with the anticipated proceeds from the sale of the collateral or whether to delay the sale and comply with the provisions of these Acts. Consideration should be given to:

1. The amount of the probable deficiency.
2. The possibility of a lower resale price by virtue of a delayed sale.
3. The probability and cost of collecting the deficiency if it is established in conformity with these Acts.

If following for a deficiency is not considered to be worthwhile, proceed with the sale as outlined in our bulletin - "COLLECTIONS - REPOSSESSIONS - SALE OF" dated 7-15-64.

If a deficiency balance is to be pursued, either by the bank or the dealer:

1. Within 10 days of the date of repossession the buyer must be notified by registered or certified mail of the holder's intent to pursue the deficiency.
2. This notice must also advise the buyer that the collateral may be redeemed upon payment of the debt and advise the buyer of his right of public sale.

Illustrated on the reverse side of this bulletin is a sample letter to be used when applicable. Dealers should be advised to consult with their attorneys to draft their own letters.

In the event there is no response from the buyer within 10 days, the collateral may be sold and a deficiency established by following the procedures in our 7-15-64 bulletin.

In the event the buyer replies within 10 days requesting a public sale, the sale may be held in any of the following places, at the option of the holder:

1. The county where the original sale took place.
2. The county of the buyer's residence.
3. The county where the collateral was repossessed.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS - SALES FINANCE

TOPIC DEFICIENCY CLAIMS

 Date 9-1-67

NEW BULLETIN

Advertisement of the intended sale must be placed in the paper where the sheriff advertises his sales in that area at least once each week for two weeks preceding the sale. The advertisement must specify the time, date, and place and describe the property to be sold. In addition to this advertisement, a reasonable notice must be given to the debtor and if the property is anything other than consumer goods, to any other person having a security interest in the collateral who has filed a financing statement indexed in the name of the debtor in this state, or who is known to have a security interest in the collateral. At such a sale, we may bid and buy.

This is in addition to the procedures outlined in our 7-15-64 bulletin.

Where repossessions are made outside of Georgia and the sale is to take place outside of Georgia, Georgia law still applies.

Dear Customer:

Recently, under the provisions of a conditional sales contract we hold, it was necessary to reclaim possession of _____ from you.
(collateral description)

This is our notice to you, that on or after _____ (time) _____ (date) we intend to dispose of this collateral. In the event the proceeds from the sale of this collateral does not satisy your indebtedness to us you will be liable for any remaining balance.

Until the above time and date you may redeem this collateral by paying your indebtedness in full. By law, you are entitled to a public sale of this collateral, provided we are notified that you desire this sale by registered or certified mail within 10 days of the date of this letter.

In the event you wish a public sale, the cost of advertising for two weeks in the local newspaper, a description of the collateral and your name as registered owner, along with all other costs incurred with this sale will necessarily have to be charged to your account.

Sincerely,

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REVISION AGREEMENT

TOPIC

 Date 8-9-69

Revised Bulletin: COLLECTIONS - REVISION AGREEMENT - Dated 2-24-67

The Revision Agreement (form 19-988) illustrated on the back of this page is a combination Note and Security Agreement that has been developed for the purpose of reworking unsecured indebtedness for collection purposes. The form is in three parts to conform to Regulation Z. Retain the original copy for our note file. Second copy in the customer's credit file and the third copy should be given to the customer at the time he signs the agreement.

The use of this simplified form is intended to reduce customer resistance to pledging collateral or furnishing an endorser as an inducement for us to revise the original terms of repayment rather than take action to collect the entire defaulted balance.

The Revision Agreement should be used without exception when:

1. Unsecured Installment or L&D loans are reworked for collection purposes.

2. CAS accounts are reworked and transferred to the Liquidating Accounts cycle.

Space is provided on the form for listing all outstanding bank debt since all such debt should be consolidated into one note any time an account is reworked for collection purposes.

A description of the collateral being taken as security on the note, together with the name(s) of any lien holders, should be shown in the space provided. Remember to take whatever steps are necessary to perfect your interest in the security.

Space is provided at the bottom of the form for the signature(s) of any indorser(s) on the note.

ORDERING SUPPLIES

Your requirements of the Revision Agreement, form (19-988, rev.7-69) may be ordered in the usual manner from the Purchasing Department, Atlanta.

RELATED BULLETINS

COLLECTIONS - REWORKING FOR COLLECTION PURPOSES
CHARGE ACCOUNT SERVICE - COLLECTIONS - LIQUIDATING ACCOUNTS
LENDING GENERAL - PERFECTING SECURITY INTERESTS

C&S

Revision Agreement

Date: 8-14-69

Number: 2227

TO: Citizens and Southern National Bank

Atlanta, Georgia

The undersigned (Borrower) is indebted to you as follows, with all or part of such indebtedness being now due and payable:

Checking account overdraft	$ 46.00
Charge Account Service #433-014-912	$ 444.00
Sales Finance account # 18346 (Net payoff)	$ 517.00
L&D note due 7-8-69	$ 400.00

Borrower promises to pay to

THE CITIZENS AND SOUTHERN NATIONAL BANK, Atlanta, Georgia (hereafter called "Bank")

the amount shown hereon as Total of Payments in installments as stated in the Payment Schedule hereon together with a delinquency charge of 5% (not to exceed $5.00) on each installment not paid within 10 days of its due date and together with all costs of collection, including 15% as attorneys fees if collected by law or through an attorney at law. In event of prepayment, refund of FINANCE CHARGE will be based on the Sum of the Digits method, after first deducting an acquisition charge of $15.00 from the FINANCE CHARGE.

In order to secure the payment of all monies becoming due hereon and all other obligations of the borrower to the Bank, its successors and assigns, however created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due (herein called Liabilities) Borrower hereby conveys to Bank, and grants to the Bank security title to and a security interest in the property hereinafter described and all accessories, parts, and equipment now or hereafter affixed thereto for use in connection therewith, subject to the security or lien interests shown hereon, together with any and all balances, credits, deposits, accounts, items, monies, and other property of the borrower now or hereafter with or in the possession or control of Bank, including all dividends and distributions or other rights in connection with any property herein above referred to, all of which is herein called "Collateral".

Security Interest or Lien Holder:	Property:
Cond.Sls.Contr.-CMAC, Atlanta	'67 Chevrolet Sedan, Impala,
Motor #8423535	
Cond.Sls.Contr.-C&S Sales Finance	RCA Color TV, Ser. #846922
	Recording Fees 3.50
	Title Fee $ 1.00
None	18' Nordicraft Aluminum Boat
None	15 H.P. Mercury Outbd.Motor #148816
	GE Washer, Ser. #32518810
None	GE Dryer, Ser. #1649922

1. Amount of Loan	$ 1,407.00
2. Credit Life Insurance	$ 24.69
3. Credit Disability Ins.	$ 0
4. Other Charges (Specify)	
5. Amount Financed (1 + 2 + 3 + 4)	$ 1,436.19
6. FINANCE CHARGE	$ 215.61
7. Total of Payments (5 + 6)	$ 1,651.80
ANNUAL PERCENTAGE RATE	11.11 %

Borrower agrees to all of the terms and conditions set forth on the reverse side hereof which are hereby incorporated in this agreement by reference. If more than one party shall execute this agreement, the term "Borrower" shall mean all parties so signing and each of them, who shall be jointly and severally obligated hereunder. This agreement has been delivered in the State of Georgia and shall be construed in accordance with the laws of that State.

Payment Schedule: 30 installments of $ 35.06 each and one (balloon payment) of $ _____ beginning September 15 19 69 and on the same day of each month thereafter until paid in full.

Insurance Statement: Credit Life Insurance and Credit Disability Insurance are not required in connection with this loan.

☐ Loan not eligible for Credit Life Insurance and Credit Disability Insurance.

I ☒ request ☐ decline Credit Life Insurance.

I ☐ request ☒ decline Credit Disability Insurance.

9-11-19 Date of Birth | 8-14-69 Date | John Speed Signature

Borrower hereby acknowledges receipt of a completed copy hereof.

123 August Road, Atlanta, Ga. Address

John Speed (SEAL)

Address (SEAL)

E- 1182

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REWORKING FOR COLLECTION PURPOSES

TOPIC

 Date 2-24-67

New Bulletin

Aside from weaknesses in the original extension of unsecured credit (CAS - L&D - ILD), a high percentage of our losses take place because of failure to take positive action soon enough when an original weakness is recognized or changes take place in the credit worthiness of our customer. Generally the deterioration of an individual credit risk is gradual and the alert credit and collection man can take steps to avert or minimize a potential loss. By properly reworking loans for collection, problem accounts and losses can be minimized.

DANGER SIGNALS In most cases, action will be indicated because of apparent changes in the credit-worthiness of the customer evidenced by one or more of the following danger signals:

1. Past-due condition and requests for delays in payments.

2. Increased debt indicated by numerous credit inquiries, particularly from high-rate loan companies.

3. Repeated renewals of L&D notes without apparent means of repayment.

4. Derogatory information received from other departments of the bank, such as, a checking account closed for insufficient checks or borrowing frequently and over the established limit in CAS.

5. Marked changes in personal circumstances, such as, repeated job changes, marital difficulty, change of address to unfavorable location, and adverse notices from credit-reporting agencies.

INTERVIEW To aid in analyzing the customer's financial condition, several steps may need to be taken. Where the interviewer does not have all the facts before him to make a sound credit decision, use of the interview and subsequent investigation is necessary.

Interviewing potential rework loan customers requires a thorough approach. In this connection, the interviewer will find the Family Budget Consolidation Worksheet a helpful tool and should use this form without exception when renewing a loan for collection purposes. The completed worksheet will furnish the interviewer with a list of all of the customer's debts, including the amount of his payments, as well as his net income. In addition, the interviewer should obtain a complete list of the customer's assets since this may reveal collateral which is available to secure our loan. Particular care should be taken to be certain that all other debt of the customer to the bank is included since all such debt should be combined into one note when a loan is reworked for collection purposes.

INVESTIGATION A thorough investigation following the steps outlined in the Bulletin "LENDING GENERAL - CREDIT INVESTIGATION" is necessary to verify the information developed during the interview. Investigation will enable the inter-

New Bulletin

viewer to determine the underlying reason for the rework and also the seriousness of the collection problem involved. It is of particular importance that the following steps be taken:

1. Verify the stability of employment and net income.
2. Recheck of all inquiry calls by creditors to the bank and to the Credit Bureau.
3. Verify all of the customer's debt and the amount of monthly payments.
4. Determine the nature of collateral securing other creditor's debt.

COURSES OF ACTION After all facts have been developed, consider:

1. If our customer no longer meets our normal credit standards and judgment indicates that chances of improvement are questionable -- encourage refinancing our balance elsewhere.
2. If total debt can be fully secured or guaranteed by a qualified indorser, rework even if ability to repay is questionable.
3. Where weakness is temporary or a reasonable ability to pay on revised terms exists - rework and strengthen as much as possible.
4. If account cannot be strengthened and collection is doubtful, recognize the fact, charge off and handle as salvage.

OTHER BANK DEBT In reworking an account for collection purposes, always consider total bank debt, consolidate where possible and whatever action is taken - a file memorandum should be sent to the affected departments or branches.

COLLATERAL Collateral must always be requested when we rework a loan for collection purposes. In addition, where we are reworking CAS balances, we obtain the advantage of a written acknowledgement of the CAS obligation, which had heretofore been an open account. The customer should be impressed with the fact that we are doing him a favor by reworking his loan. We should not be reluctant to request collateral, since we have a right to expect to be placed in a more secured position. Keep in mind that the interviewer's major objective is to improve the bank's position.

Often, we are able to reduce our loss exposure by taking second mortgages on property, liens on household goods, or any other item of security representing value to the customer. Even if the collateral has slight actual value, its worth to the customer may act as a lever to obtain payment. The necessary steps to perfect our lien on the collateral should always be taken.

New Bulletin

Where we are unable to obtain collateral, the customer should be requested to supply us with a satisfactory indorser. If he is able to do so, we should investigate the indorser's credit to determine if he adds any strength to the note before accepting the indorsement. Be very certain that the indorser understands the purpose for the loan, and that he is aware of his obligation, in the event a collection problem arises.

TERMS The interview with the customer establishes the amount of payment he is able to meet. Maturities should be restricted as much as possible, since our object is to collect the balance as rapidly as possible. However, be realistic in setting up terms, otherwise, our overall purpose of working out the customer's debt is defeated.

COLLECTIONS Loans reworked for collection purposes must receive special handling when past due. Routine notices and form letters are not to be used. Notice clerks should be informed that all loans coded as reworks for collection purposes of installment loans, loans and discounts, and CAS, do not receive notices, but should be given to collection personnel for personal handling. In the event of involved collection problems, experienced collection personnel, such as the Recovery Department should be consulted.

REVISION AGREEMENT The Revision Agreement (form #19-988) should be used without exception:

1. Where unsecured loans (L&D and ILD) are reworked for collection purposes.
2. Where CAS accounts are reworked and placed in the Liquidating Accounts cycle.

RELATED BULLETINS COLLECTIONS - REVISION AGREEMENT
LENDING GENERAL - CREDIT INVESTIGATION

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 2-28-62

In both Installment Lending and Charge Account Service, we are frequently confronted with questions as to our right to collect past-due obligations by the use of set-off against deposit balances. While the majority of our notes and evidences of debt include an express right of set-off which serves to avoid litigation on this point, our original CAS customer agreements do not expressly recite our right of set-off. In the absence of such wording, our attorneys advise that, based on precedent, a bank has the right to set-off against the amount of a deposit belonging to a customer any matured indebtedness due by that customer to the bank. There is no problem when the account is in the name of the debtor only, but questions arise when the account is a joint one. Our attorney has advised:

> "The right of set-off should not be exercised against an account standing in the name of the debtor and another. This is because, under Georgia law, it is always a question of fact as to who has title to the monies in such an account. Should it be contended by the depositor other than the debtor that the money belonged to him or her and that subsequent to set-off we had wrongfully dishonored checks drawn on the account, the bank would certainly run the risk of incurring liability to a calculated degree.
>
> The only time it would be judicious to effect such a set-off would be where you have satisfied yourself fully as a matter of fact that the entire monies in the account belong to the debtor. In my opinion the only entirely satisfactory method of proving this would be to have the admission of the co-depositor of that fact".

Prudent use of the right of set-off will avert losses, so we must at all times be alert to exercise the right of set-off against deposit balances on any account if we are in a potential loss situation or if the collection effort exerted would justify or warrant this protection of the bank's interests. Since indiscriminate use of such action could undermine public and customer relations, the approval of the Department Manager is required to initiate it. Should it be known, or the customer's file reveal, that a personal relationship exists between the customer and someone in another area of the bank, it is advisable to consult that person (Officer-of-Account) before exercising the right of set-off.

MATURED INDEBTEDNESS

Any installment or amount past due can automatically be considered as having "matured". In addition, all of our installment instruments contain a provision that failure to pay any installment as agreed will cause the entire balance to be due and payable. On CAS accounts, the balance is due within 30 days unless the customer elects to pay the minimum payment. Therefore, any account that is past due can be considered as having "matured" for the entire balance.

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 11-28-62

CHECKING ACCOUNTS

The right of set-off applies to all demand deposits - both regular and special checking account. No difficulty is encountered in the case of accounts in the name of the debtor only, but where the account is a joint one, before exercising the right of set-off, it is necessary that we determine who has title to the monies in the account. As soon as set-off is contemplated, the Bookkeeping Department should be notified to flag the account.

SAVINGS ACCOUNTS

The same care required with regard to the right of set-off of checking accounts must be exercised when savings accounts are to be attached (joint accounts). The right of set-off does apply to both savings accounts and savings certificates; however, the exercise of our rights may present a problem in that the possibility exists that the savings accounts or certificate may have been pledged as security for indebtedness owed to someone other than the bank. We may or may not have been so notified.

The Savings Department should be notified to flag the account for the amount of the anticipated set-off as soon as is contemplated. In such cases it is not necessary to obtain the passbook before set-off is exercised. If litigation should be brought by the depositor or an interested third party, the most that could happen is that we would be required to return the money to the account. No punitive damages could be obtained; thus, we would be in no worse a position than we were to begin with.

In the case of savings certificates, it will be necessary to obtain the certificates from the holder before set-off can be accomplished. By having the Savings Department flag their records of the certificate, we will be given an opportunity to talk with the holder before the certificate is cashed should it be presented for payment.

No pass-book savings accounts may be regarded in the same manner as demand deposit accounts with respect to our right of set-off.

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 11-28-62

NOTIFICATION

The customer should always be notified that the right of set-off is to be, or has been, exercised against his deposit account. He should also be informed as to the status of his installment loan or CAS account as a result of the set-off. Department Managers should exercise judgment as to whether the customer is notified before or at the time set-off action is taken. (To prevent funds from being withdrawn before set-off is exercised, see remarks concerning flagging of accounts in paragraphs CHECKING ACCOUNTS and SAVINGS ACCOUNTS on page 2).

CAS ACCOUNTS

Upon revision, the Customer Agreement form will include a clause regarding the right of set-off. However, we still will not have signed agreements bearing this clause from customers who have already signed the old agreement. Also, it will not be feasible to obtain signed agreements from many of our future customers, particularly on merchant conversion accounts.

It is our attorney's opinion that we have and may exercise the right of set-off even when:

1. We have no signed CAS agreement or note.

2. We have an old style CAS agreement signed which does not state the right of set-off or contain a lien clause.

NATIONAL VS. AFFILIATE BANKS

The right of set-off applies only when both the indebtedness and the deposit account(s) are in the same bank. This means that a deposit account maintained in an affiliate bank cannot be used to set-off an indebtedness held by the national bank. CAS indebtedness will be limited to set-off privileges against national bank deposit balances except in the case of Albany which is limited to set-off privileges within itself.

While legally the instrument of indebtedness could be sold to the bank having the deposit balance, it is our feeling that the adverse public relations resulting from such a sale would outweigh the indebtedness recovery, and our counsel predicts that such action would probably result in litigation. While the selling bank would probably not be criticized, the bank purchasing the right of set-off would be in a definitely critical position. Where the balance of indebtedness is sufficiently large to warrant consideration of such action, the approval of the Central Installment Department will be required.

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 2-28-62

MILITARY ACCOUNTS

Strictly speaking, we should not exercise our right to set off savings and/or checking deposits against indebtedness of military personnel without securing a court order. This also applies to endorsers of loans on which the principal borrower is in the service. We feel that good, clear, reasonable communications between ourselves and the customer/endorser will satisfactorily resolve nearly all of these situations, so that we do not have to use our setoff rights (or request a court order for same). Extensive usage of court orders in such cases would result in more delays in collection, more charge-offs, more legal expense, and less goodwill. We must use this only after all else has failed.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT SKIPS

TOPIC LIST OF MOTOR VEHICLE REGISTRATION OFFICES

 Date 3-12-68

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

There are times when the only means of locating an automobile in which we have an interest is to check with the motor vehicle registration division of the state where it is likely that the "skip" may have located. This is an up-to-date list of registration agency information for your use.

USE OF LIST The various states have different designations for the bureau that handles this information. Attached is an alphabetical list of the proper titles for the various motor vehicle departments and their addresses.

A letter similar to the one reproduced below sent to the motor vehicle department requesting information in regard to your "skip" should always show the motor and/or the serial number of the automobile as well as the name of the registrant. The majority of the states maintain their files according to motor and serial number. In those states where other means of identification is used, such is noted on the listing which follows.

> Please advise us whether or not you show registration for a 1961 Used Pontiac Catalina, Motor No. P27-567243, or any car registered under the name of John D. Doe.
>
> We are enclosing a stamped, addressed envelope for your use in replying, also our check in payment of your fee for making this search of your files.

FEES INVOLVED Many of the states do not require fees for the information they render. However, a current check with the Georgia Motor Vehicle Registration Office shows fees as indicated on the attached list. Should there be a difference in the fee charged from that shown, the state will usually bill you for making a search of their files for registration information.

State agencies are not only willing to answer your letters but usually proffer whatever information they have on file as to the name and address of the registrant, make, model, and serial number of vehicles, tag numbers, and the date of purchase of the tag. In many cases the name of any lien holder on record is voluntarily given. When you suspect that a car will be registered in a particular state in the future, you may request that the state office note their records of your lien and notify you when the automobile is registered.

ATLANTA AREA PROCEDURE In Atlanta, you may check by telephone with the Motor Vehicle License Unit, Department of Revenue. Files are maintained by motor number (ID), name, and license number, and information pertaining to them may be obtained by calling 577-3560 (8:30 a.m. to 4:30 p.m.). The tag and motor files are set up numerically on a statewide basis, but the name file is set up by counties. When checking the name file, you must specify the county or counties you wish checked. For information relating to a transfer of license, call 577-3560.

Replaces Bulletin: "COLLECTION - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

ALA. No fee. Non-Title State

Department of Revenue
State Administrative Building
Montgomery, Alabama 36102

ALASKA $1.00 fee. Title State

Department of Revenue
Motor Vehicle Division
Box 960
Anchorage, Alaska 99501

ARIZ. 50¢ fee. Title State

State Highway Department
Motor Vehicle Division
1739 West Jackson Street
Phoenix, Arizona 85007

ARK. 25¢ fee. Title State

Department of Revenue
Motor Vehicle Division
Revenue Building
7th & Welke Street
Little Rock, Arkansas 72001

CALIF. 40¢ min. fee Title State

Department of Motor Vehicles
2415 First Avenue
P. O. Box 1319
Sacramento, California 95806

C.Z. No fee. Non-Title

Chief of License Section
Canal Zone Government
Balboa Heights, Canal Zone

COLO. 75¢ fee. Title State

Department of Revenue
Motor Vehicle Division
140 West Sixth Avenue
Denver, Colorado 80204

CONN. 50¢ fee. Title State

Department of Motor Vehicles
60 State Street
Wethersfield, Connecticut 06279

DEL. $1.00 fee. Title State

State Highway Commission
Motor Vehicle Division
Dover, Delaware 19901

D.C. 50¢ fee. Title

Department of Motor Vehicles
301 C. Street, N. W.
Washington, D. C. 20001

FLA. No fee. Title State

Department of Motor Vehicles
LeRoy Collins Building
107 West Gaines Street
Tallahassee, Florida 32301

GA. 10¢ fee. Title State

Motor Vehicle License Unit
Department of Revenue
109 State Capitol
Atlanta, Georgia

HAWAII No fee. Title State

Director of Finance
City and County of Honolulu
Honolulu, Hawaii

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

IDAHO $1.50 fee. Title State

Department of Law Enforcement
3211 State Street
P. O. Box 34
Boise, Idaho 83700

ILL. $2.00 fee. Title State

Secretary of State
Motor Vehicle Division
Centennial Building
Springfield, Illinois 62700

IND. $1.00 fee. Title State

Bureau of Motor Vehicles
401 State Office Building
Indianapolis, Indiana 46209

IOWA $1.00 fee. Title State

Department of Safety
Motor Vehicle Registration Division
State Office Building
Des Moines, Iowa 50319

KANSAS 25¢ fee Title State

Motor Vehicle Department
State Office Building
Topeka, Kansas 66600

KY. $1.00 fee. Non-Title State

Department of Revenue
Motor Vehicle Division
Capitol Annex
Frankfort, Kentucky 40601

LA. 10¢ fee. Title State

Department of Revenue
Motor Vehicle Division
South Foster Drive
Baton Rouge, Louisiana 70821

MAINE 25¢ fee. Non-Title State
(No motor number file kept.
Filed by name & license number.)

Department of State
Motor Vehicle Division
State Street
Augusta, Maine 04301

MD. $1.00 fee. Title State

Department of Motor Vehicles
6601 Ritchie Highway, N. E.
Glen Burnie, Maryland 21061

MASS. $1.50 fee. Non-Title State

Registry of Motor Vehicles
100 Nashua Street
Boston, Massachusetts 02114

MICH. $2.00 fee. Title State

Department of State
Division of Vehicle Services
State Capitol
Lansing, Michigan 48918

MINN. 10¢ fee if license no. supplied.
15¢ fee if only serial no. or name of owner furnished.
Non-Title State

Department of Secretary of State
Motor Vehicle Division
State Highway Building
St. Paul, Minnesota 55101

MISS. $1.00 Min. fee. Non-Title State

Office of Motor Vehicle Comptroller
Privilege Tax Division
Woolfolk Building
Jackson, Mississippi 39200

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

MD. No fee. Title State

Department of Revenue
Motor Vehicle Registration Division
Jefferson Building
Jefferson City, Missouri 65101

MONT. $2.00 fee. Title State

Registrar of Motor Vehicles
923 Main Street
Deer Lodge, Montana 59722

NEBR. 15¢ fee. Title State

Department of Motor Vehicles
State House
Lincoln, Nebraska 68509

NEV. Variable fee. Non-Title State

Department of Motor Vehicles
Registration Division
Carson City, Nevada 89701

N.H. Variable fee. Non-Title State

Department of Safety
Division of Motor Vehicles
State Office Building
Concord, New Hampshire 03300

N.J. 75¢ fee. Title State

Department of Law & Public Safety
Motor Vehicle Division
25 South Montgomery Street
Trenton, New Jersey 08625

N. MEX. No fee. Title State

Department of Motor Vehicles
Capitol Building
P. O. Drawer A
Santa Fe, New Mexico 87501

N.Y. No fee. Title State

Department of Motor Vehicles
504 Central Avenue
Albany, New York 12206

N.C. No fee. Title State

Department of Motor Vehicles
Motor Vehicle Building
Raleigh, North Carolina 27600

N. D. $1.00 Max. fee. Title State

Motor Vehicle Department
Capitol Building
Bismarck, North Dakota 58501

OHIO 50¢ fee. Title State

Department of Highway Safety
Bureau of Motor Vehicles
275 South 4th Street
Columbus, Ohio 43205

OKLA. 25¢ fee. Title State

State Tax Commission
Motor Vehicle Division
Capitol Office Building
Oklahoma City, Oklahoma 73100

ORE. 25¢ fee. Title State

Department of Motor Vehicles
1905 Lana Avenue, N. E.
Salem, Oregon 97310

PA. 50¢ fee. Title State

Department of Motor Vehicles
Bureau of Motor Vehicles
Finance Building
Harrisburg, Pennsylvania 1712[illegible]

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

R.I. $1.50 fee. Non-Title State

Registry of Motor Vehicles
State Office Building
Providence, Rhode Island 02903

S. C. 50¢ fee. Title State

State Highway Department
Motor Vehicle Division
P. O. Drawer 1498
Columbia, South Carolina 29200

S.D. $1.00 fee. Title State

Department of Motor Vehicles
Capitol & Grand Avenue
Pierre, South Dakota 57501

TENN. 75¢ fee. Title State
(License number record only)

Department of Revenue
Motor Vehicle Division
500 Union Street
Nashville, Tennessee 37219

TEXAS 25¢ fee. Title State

Texas Highway Department
Motor Vehicle Division
40th & Jackson Avenue
Austin, Texas 78700

UTAH 50¢ fee. Title State

State Tax Commission
Department of Motor Vehicles
State Office Building
Salt Lake City, Utah 84114

VT. Variable fee, 12¢ to $1.00 Non-Title State

Department of Motor Vehicles
State Street
Montpelier, Vermont 05601

VA. 10¢ fee. Title State

Division of Motor Vehicles
2220 West Broad Street
Richmond, Virginia 23210

WASH. No fee. Title State

Department of Motor Vehicles
Highways & License Building
Olympia, Washington 98502

W. VA. 50¢ fee. Title State

Department of Motor Vehicles
1800 Washington Street East
Charleston, West Virginia 25305

WISC. $1.00 fee. Title State

Motor Vehicle Department
Hill Farms
State Office Building
Madison, Wisconsin 53700

WYO. 50¢ fee. Title State

Department of Revenue
Motor Vehicle Division
2200 Carey Avenue
Cheyenne, Wyoming 82001

OPERATING BULLETIN

SECTION COLLECTIONS
SUBJECT SKIPS
TOPIC LOCATION OF

 Date 11/18/69

Revision of Bulletin: COLLECTIONS - SKIPS - LOCATION OF - Dated 8-8-61

Skips are a normal part of consumer credit and collection activity, varying in seriousness from customers who merely fail to give the Bank a forwarding address to those who deliberately keep under cover to avoid payments. Regardless of reason or seriousness, however, the fact that a customer is no longer at the same address is a danger signal calling for prompt and intelligent handling until he is located and collection is achieved.

It is almost impossible for anyone to disappear without leaving behind some traces. The successful location of skips depends on the adjustor's ability to recognize and develop these traces into leads and to work each one to a definite conclusion. As with other phases of collection activity, the ability to locate skips under all circumstances comes with experience and requires common sense, ingenuity, and a planned approach to fit each individual case. The refinements of locating skips are many and varied; consequently, this bulletin is intended to cover only the fundamental approaches that have proved to be successful in the majority of cases.

N The Skip Locater (19-5380) described in this bulletin should be used as soon as there are any of the "Indications of A Skip" shown below.

INDICATIONS OF A SKIP

1. Returned Mail
   The first indication of a skip is usually returned mail; therefore, it is necessary that returned mail be processed immediately. Pull the customer's file folder and ledger card (if available) to see if the address on the returned mail is correct. If correction of an error is the only thing necessary, make sure all bank records are changed. If no error was made, immediately begin personal handling in the form of preliminary checks (see subsequent paragraph).

2. Disconnected Telephone
   Any report of disconnected telephone service should be checked out for a change in telephone number.

3. Customer Moved From Residence
   A potential skip may be indicated when an outside adjustor finds that the customer has moved. If the new residents or neighbors cannot provide the outside adjustor with a forwarding address, he should call the Bank for further instructions before he leaves the neighborhood if he is making an "in town" personal contact.

Revision of Bulletin: COLLECTIONS - SKIPS - LOCATION OF - Dated 8-8-61

If he is "out of town", he should check the customer's employer and follow-up all local leads developed from neighbors, employer, etc., before leaving town. If a sales finance account is involved, the adjustor should contact the dealer for assistance in locating the customer.

TIME VS. FOLLOWUP

Time is the critical factor in the location of skips. The longer it takes to find the skip, the more difficult he is to locate. Leads grow cold, informants forgetful, and the deliberate skip is able to cover his trail more effectively. For these reasons, it is essential that the question posed by a potential skip be resolved at once: "Has the customer merely moved without notifying the Bank or is he a deliberate skip?" Consequently, all leads should be explored, one after the other, until the customer is located. These leads should be checked as soon as possible.

N

USE OF SKIP LOCATER FORM (19-5380)

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E
W

This skip tracing form, shown on pages 3 and 4, provides an organized approach to locating skips. In most cases, just going straight down the list on the first page will result in a located customer.

The following comments will be repetitive to some degree, but will probably help shed more light on the process:

1. Review the Ledger Card, Credit and Collection Folder
   Check the ledger card for notations, and the discount sheet, application, correspondence, and collection memorandums for any information that may be useful. Check the note or contract for a different address or telephone number.

   Locations on computer should make certain that computer records reflect correct city and state address.

2. Telephone the Customer's Home
   The customer's telephone number may have been changed due to a local move, or it may have been disconnected or assigned to another party. Follow-up any leads to obtain his current address or any other information that may be useful.

3. Telephone His Employer
   If the employer is local, telephone and find out if the customer still works there; if so, talk to him or make arrangements to do so.

SKIP LOCATER for _____ _____
Account Number Name

Record all information obtained from each source interviewed. Attach all correspondence and reports to this form. Contact the following:

	Contacted By Date Initials
Telephone Company (Information and Business Office) _____	
CIF _____	
CAS _____	
Sales Finance _____	
Other Bank Debt _____	
Present and Past Employment (Where will W-2 forms be sent) _____	
Re-clear Through Local Credit Bureau _____	
Landlord (What van line used) _____	
Last Residence Address _____	
Send envelope marked "ADDRESS CORRECTION REQUESTED" to last known address via First Class Mail. P.O. will advise forwarding address for 10¢ charge.	
Previous Residence Address _____	
Local Relatives _____	
Local Credit References _____	
Children's Employment _____	

-OVER-

When skip is located this report should be filed in credit folder for future reference.

19-5380

E- 1197

	Contacted By Date Initials
Gas, Light, and Water Offices	
Out-of-Town References	
Out-of-Town Relatives	
Churches and Lodges	
Insurance Companies	
Groceries in Neighborhood	
Schools (If any children)	
Family Physician	
Courthouse Records for Recent Filings	
Real Estate Transactions	
Department of Motor Vehicles	
Present Address if Located	
WHEN FOUND, MAKE OUT A CHANGE OF ADDRESS FORM AND NOTIFY OTHER DEPARTMENTS THAT SHOW DEBT.	

When skip is located this report should be filed in credit folder for future reference.

E- 1198

If he does not, talk with his supervisor, personnel office, or co-workers. If the employer is located out of town, write him for this information.

4. Check for Other Accounts with the Bank
A change of address may have been received by another department. If not, alert them to the possibility of a skip and ask them to notify you of any change in the status of his account, as well as any information they may receive about the customer.

5. Telephone His Creditors
Telephone the creditors listed on the discount sheet, application, and previous Credit Bureau report. Notify them of the possibility of a skip and obtain any information they may have. If appropriate, arrange to exchange information as it is developed. The more people who look for him, the more information is developed and the greater the possibility for locating him.

6. Check with the Credit Bureau
Check to see if the bureau has a later report or current address in its file than that in the customer's folder. If not, obtain any later calls or inquiries. Put the Bureau on notice about the potential skip. Ask them to have subsequent inquirers call you.

7. Telephone the Customer's Neighbors
Use a street address telephone directory and contact neighbors. Find out if he has actually moved, and then obtain as much information as possible on the skip and his family.

8. Contact Close Relatives
Use those relatives shown on the discount sheet or application and any others developed during other preliminary checks. Contact them by telephone if they are local, or write them if they live out of town.

Once all obvious leads are worked at the time the skip is first discovered, it becomes necessary to develop new leads and follow each one to a conclusion. When all leads are exhausted, the adjustor must begin again and rework each lead. New developments may have taken place since the lead was last worked, or it is possible that a lead may have been overlooked.

Revision of Bulletin: COLLECTIONS - SKIPS - LOCATION OF - Dated 8-8-61

DEVELOPMENT OF ADDITIONAL LEADS

The successful adjustor will be the one who, through experience, ingenuity, and imagination, is able to develop additional leads. The greater the number of leads, the better the opportunity for locating the skip. All leads must be worked to a conclusion. Some will produce a "dead end"; others will produce more new leads. It is this evolution of leads that allows the adjustor to collect enough information to lead him to the skip. Here are some of the many possibilities:

1. Any reference listed on the application that is not provided for on the Skip Locater form.
2. Union officials.
N 3. Department stores. Sometimes a department store is not a credit bureau member, and it is possible that a "hunch" call to Sears, for instance, might get you the needed information.
4. Police department.
5. Social Welfare agencies.
6. County or city tax office.
7. Credit Union. There is also a possibility here of getting names of persons who were "co-makers" on loans with the customer.
8. If military, see COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT.

FOLLOW-UP METHODS

1. Long Distance Telephone Calls
A person-to-person long distance call may be placed COLLECT to the skip at a relative's residence or any other likely location. The telephone company operators will often assist in obtaining leads when the skip has "moved on". They will also help to locate telephone numbers and addresses of leads in distant cities; for example, his probable new employer when the name and city are known, but no address or telephone number. When making long distance calls to promising leads (not the skip), do not place them collect.

N 2. Post Office Assistance
If known to them, the Post Office will provide forwarding addresses of persons who have moved. Senders should address a letter to the last known address and write "Address Correction Requested" below his return address. If the Post Office can deliver the letter it will notify the sender of the new address and charge a fee of 10¢.

A note of caution: Sender should include his name in the return address so no difficulty will be encountered in getting this information back to the sender himself.

Applies to: OTC, SF, CAS

Replaces pages 7 and 8 only of: COLLECTIONS - SKIPS - LOCATION OF Dated 11/18/69

These two follow-up methods are useful in the tracing of most skips; however, there are many other methods, and their use depends on the circumstances of the particular skip and the plan of approach being used. Here again, imagination, ingenuity, and good judgment are the deciding factors in determining what methods to apply and which are most likely to produce results.

USE OF THE OUTSIDE ADJUSTOR

Some leads require follow-up by an outside personal contact. When this is necessary, be certain that the outside adjustor is given complete information and that he is thoroughly briefed on what is expected of him. Follow-up of leads by personal contact is both time consuming and expensive. Therefore, whenever possible, leads should be followed by mail and telephone. Outside calls should be kept to a minimum, but when they are needed, they should be thorough and effective.

REFERRAL OF SKIP CASES

Other banks will assist you in locating the skip or in working a promising lead. However, this does not mean that other banks will perform the adjustor's job for him. Only leads of real promise should be referred, and referrals should be made in accordance with the instructions in Operating Guide Bulletin: FOREIGN CLAIMS - REFERRALS TO OTHER BANKS, AGENCIES. R R

TIPS ON SKIP TRACING

As in all collection work, each skip is an individual case and must be handled as such. The plan of approach, the development of leads, and the methods of follow-up must be tailored to each situation. The following "tips" are factors which apply in the tracing of all skips. They should be reviewed and kept in mind whenever a skip is worked and will help to keep the adjustor from "spinning his wheels".

1. Time is of the utmost importance in locating the skip; it may be the difference between finding him and failure.
2. Assume the attitude that every source of information you contact knows more about the skip than you do.
3. Each skip is different and requires individual attention and follow-up tailored to its peculiarities.
4. Follow-up a number of leads at one time. Don't work one "hot" lead to the exclusion of other leads; it may lead to a dead end.

Applies To: OTC, SF, CAS

Replaces pages 7 and 8 only of: COLLECTIONS - SKIPS - LOCATION OF Dated 11-18-69.

5. Work every lead that is obtained. Don't discard one until you know that is is of no value.
6. Contact your sources of information again; they may have heard from the skip since the last contact.
7. Think of the skip and his wife as a team; get all the information you can on both of them.

D

8. Use your imagination and play your hunches. The more experienced you become, the more your efforts will become "instinctive".
9. Seek help. Others have been "over the road" before. Sometimes a new eye can spot a lead or clue that you have missed.
10. When you find him and do not conclude the account by collection in full or repossession, SECURE A COMPLETE NEW CREDIT APPLICATION.

SECURING FORMS

The SKIP LOCATER (19-5380) comes in pads, 50 to the pad, and can be ordered by supply requisition from the Purchasing Department, Atlanta.

RELATED BULLETINS

COLLECTIONS - FOREIGN CLAIMS - REFERRAL TO OTHER BANKS, AGENCIES
COLLECTIONS - FOREIGN CLAIMS - REFERRED BY OTHER BANKS
COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES
COLLECTIONS - MILITARY ACCOUNTS - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT
LENDING GENERAL - CREDIT BUREAUS - NOTIFICATION SERVICE

CONSUMER CREDIT OPERATING BULLETIN INDEX*

INSURANCE IV 3-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
OTC, SF	AUTOMOBILE PHYSICAL DAMAGE		12-01-70
OTC, SF	AUTOMOBILE PHYSICAL DAMAGE	SINGLE INTEREST COVERAGE (P. 5 Rev. 12/16/70)	12-01-70
OTC, SF	BOATS AND MOTORS		1-01-64
OTC, SF	CITIZENS & SOUTHERN AGENCY, INC.		12-01-70
OTC, SF	COVERAGE FAILURE		12-04-67
OTC, SF	COVERAGE FAILURE		4-18-62
OTC,SF,CAS	CREDIT LIFE		4-15-71
OTC	CREDIT LIFE - L&D LOANS	CHANGE IN INSUROR	1-23-69
OTC	CREDIT LIFE	L&D TIME LOANS 6/27/72	~~7-08-6~~
OTC	CREDIT LIFE	REAL ESTATE LOANS	4-06-65
OTC, SF	DISABILITY		4-15-71
OTC, SF	DISABILITY	CLAIMS PROCEDURE	7-29-69
OTC, SF	DISABILITY	CLAIMS PROC.-CORR. BANKS	7-29-69
OTC, SF	EQUIPMENT		12-28-70
OTC, SF	ERRORS & OMISSIONS COVERAGE	AUTOMOBILE DEALERS	12-22-69
SF	FLOORPLAN - AUTOMOBILE (P.1 Rev.9/10/71)		2-12-71
SF	FLOORPLAN - EQUIPMENT		1-25-65
OTC, SF	PAYMENT SCHEDULE	CHANGES	12-14-70
OTC, SF	REPORTING & PREMIUM PAYMENT		12-01-66
SF	RETAIL FIRE AND THEFT		12-15-71

*Information on how to use guide, indexes, and bulletins is on the pink page in Section I.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT AUTOMOBILE PHYSICAL DAMAGE

TOPIC

NEW BULLETIN

ELIGIBILITY

This program is available to C&S National Bank, its affiliates, and wholly owned subsidiaries.

An Automobile Physical Damage Insurance Program is now available through the C&S Agency. Although it is primarily a Sales Finance program, it is also available to our Over-The-Counter lenders. Rates are not competitive enough, however, for this program to be attractive to our top-echelon branch customer.

The C&S Agency receives income on this program through a retrospective commission arrangement. Briefly, this means the Agency receives credit for the premiums and pays all losses. The amount remaining, after deducting the insurance company fee, is the commission. Where practical, profits or losses are pro-rated to individual branches based on their own insurance experience.

The standard rated policies are written through American Security Insurance Company. Non-standard rated policies are written through Standard Guaranty Insurance Company, a subsidiary of American Security Insurance Company.

Copies of forms and letters are included at the end of this bulletin. PLEASE USE NO FORM LETTERS OTHER THAN SHOWN IN THIS BULLETIN.

PROCEDURE

Following is the sequence of steps necessary to place Physical Damage Insurance through the C&S Agency. Illustrations and sample forms are shown on the last pages of this bulletin. It is written for a Sales Finance location. Branches in Atlanta should call the C&S Agency for help in each case. Branches outside Atlanta should call their local Sales Finance Department.

Dealer: Completes Rating Statement (page 6) and rates policy, using manual supplied by C&S Agency. Phones in to Sales Finance unit.

Lender: Takes loan application. Completes Rating Statement based on information secured from dealer, and attaches it to discount sheet. Verifies rates using manual supplied by C&S Agency. Makes credit decision, based on overall transaction, including insurance premium and term.

Discount Clerk: When contract is discounted, discount clerk draws check payable to C&S Agency, Inc. Orders Retail Credit Automobile Inquiry, mailing out in pre-addressed envelopes. See sample on page 12 of this bulletin for instructions for completion and distribution of copies. Computes the dealer compensation, makes necessary entries on the discount sheet, and prepares General Ledger entries. (See following paragraphs entitled Sales Finance Dealer Compensation.)

NEW BULLETIN

C&S Agency: Immediately issues policy based on information furnished by the branch.

NOTE: If the premium has been incorrectly computed and an additional amount of more than $2.00 is needed, the policy will not be issued. C&S Agency will prepare and send a PREMIUM NOTICE for the amount needed, allowing 15 days to send this in. If not received by C&S Agency within the time limit, a Policy Cancellation Notice will be sent to the customer and the return premium sent to the branch.

If more than $2.00 excess premium has been collected, the policy will be issued for the correct amount and a check for the difference will be forwarded to the branch.

Lender: Places original policy in customer's file. Sends copy to customer along with Customer Policy Transmittal Letter.

C&S Agency: Upon receipt (normally 30-60 days) of the completed Retail Credit Automobile Inquiry, re-evaluates the risk. If further action is necessary, the agency will send out an Action Notice to the branch, which will contain full information as to the action needed.

SALES FINANCE DEALER COMPENSATION

The dealer will be compensated for placing insurance at the rate of 10% on all policies issued in American Security (standard rated policies) and 5% on all policies issued in Standard Guaranty (non-standard rated policies). No compensation will be made to dealers on renewal policies, bank placements, or single interest coverage. The dealer will be compensated only for the insurance premiums he adds to a note at the point of sale. No amount will be paid on additional premiums which may be collected as a result of a dealer mis-rating a policy or as a result of underwriting factors.

There will be no charge back to the Dealer's Contingent Reserve account for cancellations unless the policy is cancelled within the first sixty days because of underwriting factors. In these cases, the entire amount credited to the dealer should be recovered. It is recommended that the dealer be paid monthly, however, the decision as to when and how often the contingent reserve will be paid will be left to the discretion of each office.

CREDIT PROCEDURE

1. Discount clerk calculates amount due (either 5% or 10%) and enters it on the discount sheet in the space for Dealer Contingent Reserve. (See point "A" on sample discount sheet on page 11.

NEW BULLETIN

2. Make offsetting entry by completing a General Ledger debit ticket charging Miscellaneous Expense - General - Auto Insurance Participation basic account #97810-000.
3. Enter the amount on the discount sheet in the space for "Cash Funds Received". (See point "B" on sample discount sheet.)

CHARGE-BACK PROCEDURE

When a policy is cancelled within the first sixty days because of underwriting factors, the C&S Agency will notify the branch so that the proper entries can be made. See sample Policy Cancellation Notice on page 8.

1. Debit the Dealer Contingent Reserve Account, (Those offices on the computer must show the customer's account number in order for the printout to show the customer's name) using form #19-1250, transaction code 92D.
2. Complete a General Ledger ticket crediting Miscellaneous Expense - General - Auto Insurance Participation account, basic account #97810-000.

TERMS

It is recommended that, wherever possible, insurance be written for the full term of the loan. However, we are accepting short-term policies, with a minimum acceptable length of one year. Policies issued for less than term of loan will automatically be renewed by C&S Agency for the then-remaining term of the loan. After a loan is paid out, we cannot issue renewal coverage, however, when a loan pays in full before the expiration date of an existing insurance policy, that policy continues in force.

BANK PLACEMENT

There will be instances where our customers fail to secure insurance as they agreed to do, or where their insurance has been cancelled for non-payment of premium or underwriting reasons. This insurance is available in these instances. The procedure here is to contact the customer and secure the information required by the Rating Statement, and then to follow the procedure previously outlined in this bulletin. The policy must be written for the remaining term of the loan, adjusted to the nearest quarterly increment, with a minimum period of 12 months.

Example: Remaining term 9 months.
Policy to be written for 12 months.

Example: Remaining term 16 months.
Policy to be written for 15 months.

No dealer reserve or commission is paid on bank placements. If necessary to [illegible] Single Interest coverage, other criteria apply. See bulletin: INSURANCE-AUTOMOBILE PHYSICAL DAMAGE-SINGLE INTEREST COVERAGE.

NEW BULLETIN

CLAIMS

C&S Agency's Claim Department supervises and pays all the claims. The services of independent adjusting firms are used in most instances. The local Sales Finance offices have the necessary forms, and have a person designated to secure basic claim data and complete the Notice of Loss forms. All claims should be handled through these designated persons. (In Atlanta, refer claims to C&S Agency).

RENEWALS

The C&S Agency will start renewal followup 45 days prior to expiration date. In all cases where it is felt that the renewal will be accepted by the customer, the policy will be issued for the remaining term of the loan. A statement for the premium due will be sent to the branch along with the original and one copy of the policy. As soon as this is received, the branch will send a Renewal Transmittal Letter (page 7) to the customer, along with the customer's copy of the policy. The letter sets forth payment options and requires a response at least ten days prior to expiration date if the customer (a) does not want coverage through C&S Agency, or (b) does not want it added to his loan. If no reply is received, add the premium (plus finance charge) to his loan, following procedures in the bulletin INSURANCE - PAYMENT SCHEDULE - CHANGES. The original policy should be filed in the customer's file and the copy sent to the customer.

The full amount of the premium must be received by the C&S Agency prior to the renewal date. If it is not received, the C&S Agency will cancel the policy and will send a Policy Cancellation Notice to the customer, and a copy to the branch.

Occasionally, there will be a question as to whether a premium will be accepted by the customer. In these cases, a policy will not be issued. Instead, C&S Agency will send a Notice to Branch of Non-Renewal. If the branch contacts the customer and determines renewal is desired, the customer can usually be offered three options for payment:

1. Direct payment by cash or check.
2. CAS Instant Money.
3. Rework the account.

MAKE CERTAIN THE PREMIUM REACHES THE AGENCY PRIOR TO THE EXPIRATION DATE.

CANCELLATIONS

A. Customer Request:

Each Sales Finance Office will compute the return premium by using the Ronoco Calculator (Wheel). Complete a "Return Premium Advice" Ticket in triplicate. (In Atlanta, branches should phone the C&S Agency, who will handle the previously described two steps. Branches outside Atlanta should contact the local Sales Finance Office.) Attach the original and one copy to the original policy and forward to the C&S

Agency in Atlanta. The Agency will issue a check for the return premium and forward it to the branch by return mail. The third copy of the "Advice" should be used by the branch for followup. In these cases, it is the responsibility of each branch to make certain that the customer is aware that the insurance is being cancelled. The C&S Agency will confirm directly to the customer that the policy has been cancelled, using Cancellation Confirmation letter (page 9). A copy of the letter will be sent to the local office. The Return Premium Check will be payable to the local office. Careful consideration should be given to the use of these funds. They may be used to purchase other insurance, or they may be credited to the loan balance.

There may be isolated cases where the branch may return the funds directly to the customer. This should never be done without first carefully considering all factors including equity and payment record.

Followup routines for renewals and cancellations are found in the bulletins: SALES FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP and OVER THE COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP.

ORDERING FORMS

Here is a listing of the forms and supplies required by branches, and how obtained.

FORM NO.	DESCRIPTION	ORDER FROM
NONE	Rating Statement "Select-O-Matic"	C&S Agency, Atlanta
NONE	Retail Credit Automobile Inquiry	" "
NONE	Retail Credit Auto. Inquiry Env.	" "
NONE	Policy Transmittal Letter	Produce Locally
NONE	Renewal Transmittal Letter	" "

Only the above forms are needed in branches. Other forms mentioned in the bulletin are originated by C&S Agency.

RELATED BULLETINS

INSURANCE - THE CITIZENS AND SOUTHERN AGENCY, INC.
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE - SINGLE INTEREST COVERAGE
INSURANCE - PAYMENT SCHEDULE - CHANGES

ACCOUNTING AND GENERAL OPERATIONS - PAYMENT SCHEDULE - CHANGES

SALES FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

OVER THE COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

APP-1-GA

AUTOMOBILE INSURANCE APPLICATION AND RATING STATEMENT
SELECT-O-MATIC
AMERICAN SECURITY INSURANCE COMPANY
- STANDARD GUARANTY INSURANCE COMPANY -

LIST ALL OPERATORS (First — Middle — Last)	Date of Birth Mo. Day Yr.	Sex	Marital Sts.	Drivers License Number	State	Time Licensed	% of use
Applicant – Principal Operator							
J. M. Goodrisk	4 10 28	X	X	0-5207316	Ga.	25 yrs	80
Jeanne Goodrisk	3 24 30	X	X	0-723841	Ga.	22 yrs	80

CLASSIFICATIONS

MALE

6A	Married Owner or Operator Under 21	☐ 6A
6B	Married Owner or Operator 21 thru 24	☐ 6B
7A	Unmarried Not Owner or Principal Operator Under 21	☐ 7A
7B	Unmarried Not Owner or Principal Operator 21 thru 24	☐ 7B
8A	Unmarried Owner or Principal Operator Under 21	☐ 8A
8B	Unmarried Owner or Principal Operator 21 thru 24	☐ 8B
8C	Unmarried Owner or Principal Operator 25 thru 29	☐ 8C

FEMALE

5A	Unmarried Under 21	☐ 5A

BUSINESS

9	Business Use and No Operator requiring any of the previous Classes	☐ 9

NON-BUSINESS

4	No Business Use and No Operator requiring any of the Other Classifications	☒ 4

RATING
Assign Points to Each Applicant and/or Operator – No Exceptions

AGE OF YOUNGEST OPERATOR –

OVER 25 AND MARRIED	0	X	
25 TO 30 – SINGLE MALE	3		
UNDER 25 – MARRIED	3		
UNDER 25 – SINGLE	5		
UNDER 21	6		0 TOTAL

USAGE –

PLEASURE ONLY (To and from work – Less than 25 miles daily)	0		
PLEASURE ONLY (To and from work – More than 25 miles daily)	2		
BUSINESS USE – Travelers	3		
NOT GARAGED	3	X	3 TOTAL

DRIVING RECORD – Accident and Violations or claims (Loss) will be charged in date of violation.
Assign Points for each accident and/or charge against all operators in last 36 months

1. MOVING VIOLATION	1		
2. SPEEDING	2		
3. ACCIDENTS (Count each accident)	5		
4. LICENSE SUSPENSION ( ) CARELESS & RECKLESS ( ) D.U.I. ( ) HIT AND RUN ( )	10		
5. PRINCIPAL OPERATOR LICENSED LESS THAN 3 YRS. WITHOUT APPROVED DRIVER TRAINING CERTIFICATE	0		0 TOTAL

COLLATERAL –

"SPORTS TYPE" CAR (2 DOOR – ALL VARIETIES – PLAIN OR STICK SHIFT)	4		
HIGH PERFORMANCE CAR – DESIGNATED BY A † (DAGGER) IN RATING SYMBOL LIST	7		
FOREIGN CAR	4		0 TOTAL

IF 7 POINTS – STANDARD GUARANTY MUST BE WRITTEN

RATING – Total of points determines insurance and coverage –

0 to 6 POINTS	USE AMERICAN SECURITY RATE ✓
7 to 14 POINTS	USE STANDARD GUARANTY – A RATE
15 to 20 POINTS	USE STANDARD GUARANTY – B RATE
OVER 20 POINTS	OUTSIDE INSURANCE

GRAND TOTAL 3

I hereby declare the above statement to be true to the best of my knowledge and belief.

Five 71 Ford — Car

6-19-70 — Date

x J. M. Goodrisk — Personal Signature of Applicant x

E- 1209

CUSTOMER POLICY TRANSMITTAL LETTER

Here is the automobile insurance policy which you requested from the C&S Agency when you financed your vehicle. The premium is included in your monthly payment.

Thank you for giving us this opportunity to be of service to you. If you have any questions concerning your policy, please let us know.

Sincerely,

_____

Phone # _____

RENEWAL TRANSMITTAL LETTER

The policy insuring your_____ will expire on _____. Here is your policy # _____ which becomes effective on _____ and will expire on _____. The premium is $_____.

To make certain that you are protected without lapse in your insurance coverage, our standard procedure is to pay the premium for you, and add this amount plus finance charge to your loan.

However, you may want to use another method of payment. If so, please check the appropriate box below, and return this letter to us.

☐ CASH - My check or money order for the total premium is enclosed.

☐ CAS - Please add the amount of the premium to my Charge Account Service account # _____.

If we have not heard from you by _____, we will follow our standard procedure of adding it to your loan. Please call if you have any questions.

E-1210

_____

NEW BULLETIN

PREMIUM NOTICE

THE CITIZENS AND SOUTHERN AGENCY, INC.

POLICY PERIOD _____ TO _____
POLICY NUMBER _____
VEHICLE INSURED _____

TOTAL PREMIUM $ _____
(DUE ON EFFECTIVE DATE OF COVERAGE)

NOTICE TO BRANCH:

PREMIUM MUST BE RECEIVED BY C&S AGENCY BY _____ OR NOTICE OF CANCELLATION WILL BE MAILED TO CUSTOMER.

SEND THIS COPY WITH CHECK FOR PREMIUM TO:

C & S AGENCY, INC.
9 North Avenue – Atlanta

BRANCH COPY

POLICY CANCELLATION NOTICE

To:

Re: Insured _____
Loan Number _____
Policy Number _____
Dealer _____

This policy has been cancelled because of _____.
If you have credited your dealer's contingent reserve for the placement of this coverage, you should debit this reserve account to recover the full amount.

The Citizens and Southern Agency, Inc.

By _____

NOTE: This is a sample notice to a Sales Finance branch of Policy Cancellation within the first 60 days of policy term.

E - 1611

CANCELLATION CONFIRMATION

As you requested, we cancelled policy # , insuring your _____ on _____. The unused portion of the premium has been forwarded to the office handling your loan.

If you have any questions, please contact your local C&S Office.

NOTICE TO BRANCH OF NON-RENEWAL

The Citizens and Southern Agency, Inc.

33 North Avenue N.E. Atlanta, Georgia 30308

TO:

RE: Insured _____

Policy # _____

Loan # _____

Dealer _____

This policy will expire on _____. The renewal premium for _____ months will be $_____. Because of this we will not automatically renew the policy but will wait for instructions from you.

Georgia law requires that we send out a notice to the customer not later than _____. We must hear from you prior to that date.

The Citizens and Southern Agency, Inc.

By _____

E- 1212

NEW BULLETIN

ACTION NOTICE TO BRANCH

To:

RE: Insured _____

Loan # _____

Policy # _____

Dealer _____

We will be unable to continue this insurance because _____,
_____.

Cancellation notice will be forwarded to customer on _____
and will notify him that coverage will terminate on _____.

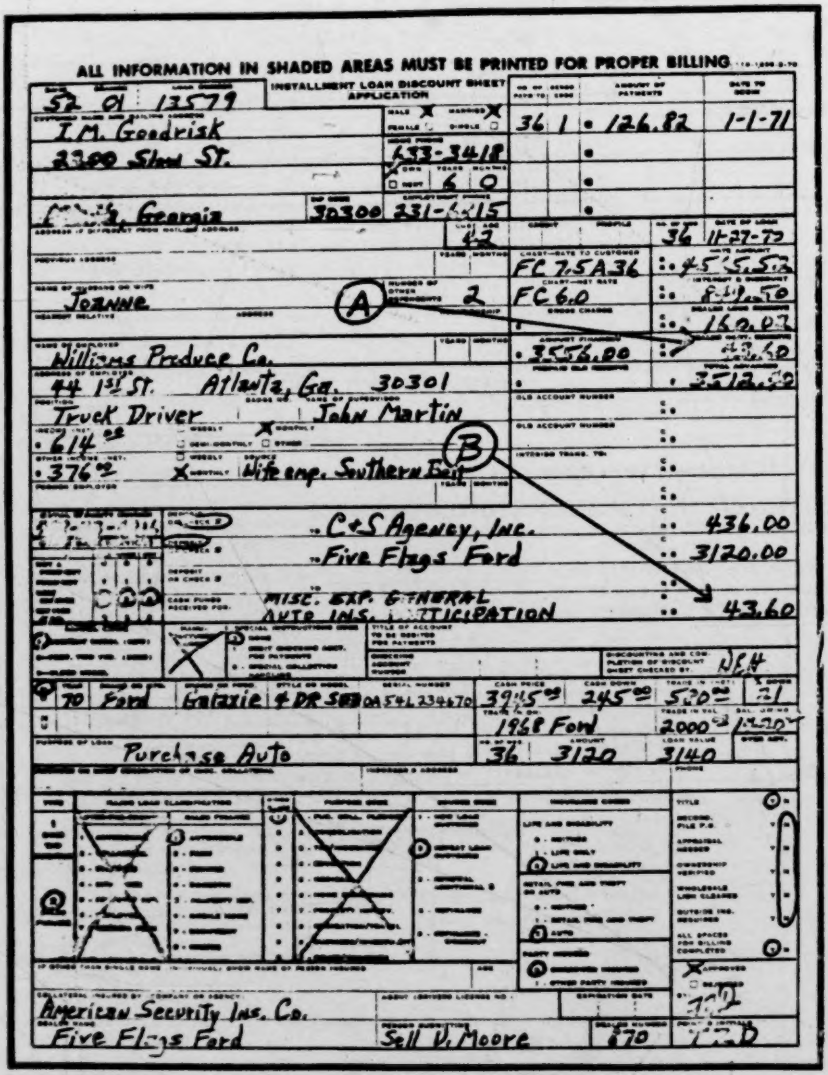
The return premium will be $_____ and unless we receive instructions to the contrary, we will forward this amount to you for credit to the customer's account.

☐ We can issue another policy using higher rates. The new annual premium will be $_____. If customer desires this coverage, attach check for $_____ (the difference in the new annual premium and the return premium on the existing policy) to this form and return to The Citizens and Southern Agency, Inc., 9 - North Avenue, Atlanta.

☐ We cannot issue another policy using higher rates.

The Citizens and Southern Agency, Inc.

By _____



ALL INFORMATION IN SHADED AREAS MUST BE PRINTED FOR PROPER BILLING

INSTALLMENT LOAN DISCOUNT SHEET
APPLICATION

52 01 13579

I.M. Goodrisk

2300 Slow St.

[illegible], Georgia 30300 231-[illegible]15

433-3418

6 0

42

36 1 • 126.82 1-1-71

36 11-27-70

FC 7.5 A 36 • 45.54

FC 6.0 • 8.41 • 150.50

• 160.03

• 3556.00 • 4.9.60

• 3512.50

Joanne (A) 2

Williams Produce Co.

44 1st St. Atlanta, Ga. 30301

Truck Driver John Martin

• 614.00

• 376.00 Wife emp. Southern Bell

(B)

C+S Agency, Inc. 436.00

Five Flags Ford 3120.00

MISC. EXP. GENERAL AUTO INS. PARTICIPATION 43.60

NEW

70 Ford Galaxie 4 DR SED 0A59L234470 3915.00 245.00 520.00 21

1968 Ford 2000.00 1320

Purchase Auto

36 3120 3140

American Security Ins. Co.

Five Flags Ford Sell V. Moore 870

1214

AUTOMOBILE

Apv. 145-851

11-27-70

Atlanta

32101-870

I. M. GOODRISK No. 0-520734

2200 Slow Street

Atlanta Fulton Georgia

Truck driver Date of Birth 4-16-28

Williams Produce Company, 44 First Street, Atlanta, Georgia

Joanna - wife Date of Birth 3-24-30 No. 0-723841

Year of Model	Trade Name	Body Type Model	Motor or Serial Number	New or Used	Purch. Pers. / Business
1970	Ford	Galaxie 500 4dr	0A54L234670	N	

POLICY ORDER

DEALER NAME FINE ELAGA FORD

DEALER COMPENSATION [illegible]

ACCOUNT NUMBER 18362

- [X] DEALER PLACEMENT
- [ ] BANK PLACEMENT
- [ ] OVER-THE-COUNTER

DATE OF LOAN 11-27-70

Policy Periods (Mo. Day Yr.) (36 Months) From 11-27-70 To 11-27-73

	Coverages	Kinds of Liability	Amt. Deductible
A1	COMPREHENSIVE--Excluding Collision	Actual Cash Value	
A	PERSONAL EFFECTS		
B	COLLISION		
C	FIRE, LIGHTNING		
D	THEFT		
E	COMBINED ADDITIONAL		
F	TOWING AND LABOR		

This is copy #3 of the Credit Inquiry form, and is the application for insurance. This copy and copies 2, 3, and 4 are sent to C&S Agency, Atlanta, with a check for the premium. Branch should send copy #1 (original) to Retail Credit Company, using envelopes provided.

TOTAL PREMIUM $ 45.00

Year of Model	Trade Name	Model	Body Type, Trade Level, Cylinders	Motor or Serial Number	Number of Cylinders
1970	FORD		GALAXIE 500 4-dr. SED.	0A54L234670	6

F.O.B. List Price of Delivered Price at Factory	Actual Cost When Purchased	Purchased Month, Year	New or Used	Manufacturer	Number	Amount of Loss	Date Sold and Removed or Place Loss Occurred
$	$ 3945	M T 11-70	N	$ 1408	36	$	1-74

☐ ARC-FAMILY ☐ ARC-BASIC ☐ STANDARD GUARANTY

D 1145-870

E-1215

STANDARD GUARANTY SINGLE INTEREST

GEORGIA — C & S AGENCY, INC., 9TH FLOOR, 33 NORTH AVENUE, ATLANTA, GEORGIA 30308 - PHONE 588-2494

BALANCES	TERM IN MONTHS																								
	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
$ 0- 200	$ 22	$ 24	$ 26	$ 28	$ 30	$ 32	$ 34	$ 36	$ 38	$ 39	$ 41	$ 43	$ 45	$ 47	$ 48	$ 51	$ 53	$ 54	$ 56	$ 58	$ 60	$ 62	$ 64	$ 66	$ 68
$ 201- 400	30	33	35	38	40	43	45	48	50	53	55	58	60	63	65	68	70	73	75	78	80	83	85	88	90
$ 401- 600	42	46	50	53	57	60	64	67	71	74	78	81	85	89	92	96	99	103	106	110	113	117	120	124	128
$ 601- 800	50	54	58	63	67	71	75	79	83	88	92	95	100	104	108	113	117	121	125	129	133	137	142	146	150
$ 801-1000	65	70	76	81	87	92	98	103	108	114	119	125	130	135	141	146	152	157	163	168	173	179	184	190	195
$1001-1200	72	79	85	91	97	103	109	115	120	127	133	139	145	151	157	163	169	175	181	187	193	199	205	211	218
$1201-1400	85	92	99	106	113	120	128	135	142	149	156	163	170	177	184	191	198	205	213	220	227	234	241	248	255
$1401-1600	90	98	105	113	120	128	135	143	150	158	165	173	180	188	195	203	210	218	225	233	240	248	255	263	270
$1601-1800	108	116	125	134	143	152	161	170	179	188	197	206	215	224	233	242	251	260	269	278	287	296	305	314	323
$1801-2000	115	125	134	143	153	162	173	182	192	201	211	220	230	240	249	259	268	278	288	297	307	316	326	335	345
$2001-2200	125	135	145	156	167	177	188	197	208	218	229	240	250	260	271	281	292	302	313	323	333	344	354	365	375
$2201-2400	133	144	155	166	177	187	199	210	221	232	243	254	265	276	287	298	309	320	331	342	353	364	375	386	398
$2401-2600	150	163	175	188	200	213	225	238	250	263	275	288	300	313	325	338	350	363	375	388	400	413	425	438	450
$2601-2800	157	171	184	197	210	223	237	250	263	276	289	302	315	328	341	354	368	381	394	407	420	433	446	459	473
$2801-3000	167	181	195	209	223	237	251	265	279	293	307	321	335	349	363	377	391	405	419	433	447	461	475	489	503
$3001-3200	175	189	204	219	233	248	262	277	291	306	321	335	350	365	379	394	408	423	438	452	467	481	496	510	525
$3201-3400	193	209	225	241	257	273	289	305	321	337	353	369	385	401	417	433	449	465	481	497	513	529	545	561	578
$3401-3600	198	214	230	247	263	280	296	313	329	346	362	379	395	411	428	444	461	477	494	510	527	543	560	576	593
OVER $3600	.055	.060	.065	.069	.074	.079	.083	.088	.093	.097	.102	.107	.111	.116	.120	.125	.130	.134	.139	.144	.148	.153	.158	.162	.167

E-1216

Single Interest Premiums (Fire, Theft & Collision)
$10.00 Minimum Earned Premium

Premiums for less than 12 months compute by pro-rating 12 month premium to nearest month.

RULES APPLYING TO SINGLE INTEREST COVERAGE

1. Single Interest coverage must be written for the term of the contract.
2. Premiums are based upon the unpaid balance due at the time coverage attaches.
3. Premiums apply only where the contract or loan agreement calls for equal monthly or quarterly installments. Single payment contracts - double the premium indicated above. All other - refer to Agency.
4. Rates and premiums apply only to private passenger automobiles, light commercial and trucks under 1-½ ton capacity. Taxi-cabs, jitneys, any public or livery conveyance, ambulances and emergency equipment, long haul commercial, heavy equipment and truck-trailer are not eligible.

OPERATING BULLETIN

SECTION	INSURANCE
SUBJECT	AUTOMOBILE PHYSICAL DAMAGE
TOPIC	SINGLE INTEREST COVERAGE
Page	1 of 5 **Date** 12-1-70

NEW BULLETIN

THIS COVERAGE SHOULD BE USED ONLY IN THOSE CASES WHERE WE ARE FACING A REPOSSESSION BECAUSE THE CUSTOMER FAILED TO FURNISH US WITH EVIDENCE OF ADEQUATE INSURANCE COVERAGE. Single Interest Coverage Insurance is physical damage insurance available to a creditor only. It provides protection only for us, and not for the customer. It should be used only in those cases when:

1. Dual interest coverage is cancelled after a loan is acquired, and/or,
2. Customer is unable to secure dual interest coverage, and/or,
3. Premium for dual interest coverage is so high that the customer is unable to make the payments.

NOTE: THIS COVERAGE SHOULD NEVER BE USED AT INCEPTION OF LOAN. This coverage provides protection for the creditor only, and applies only after repossession, when damage exists.

ELIGIBILITY

Presently eligible are C&S National Banks, its affiliate banks, and wholly owned subsidiaries.

PROCEDURE

Please use no form letters other than shown or mentioned in this bulletin. Here is the procedure:

1. Complete and mail to C&S Agency the APPLICATION FOR SINGLE INTEREST INSURANCE (see page 4). To determine amount of premium due, use the Single Interest Rate Schedule. Single Interest Rate Schedule is not shown in this bulletin. Obtain from C&S Agency, Atlanta.
2. Charge the customer's account with the premium and finance charge using the procedure described in the bulletin: INSURANCE-PAYMENT SCHEDULE-CHANGES.
3. C&S Agency will issue an Insurance Certificate to the branch. The customer DOES NOT get a copy.
4. No followup is needed.

NOTIFICATION OF PARTIES

It is our duty to notify endorsers and dealers (recourse) of any material change in the amount that affects their liability. It is vital that we give immediate notification to all parties involved of this type of insurance placement. Prepare and send the "Single Interest Letter" (page 5) to:

1. The customer. Send by certified mail.
2. The recourse dealer (if applicable).
3. The endorser (if applicable).
4. The adjuster for information only at this point.
5. Customer file. Attach copy of certified mail Certificate of Mailing.

NEW BULLETIN

The dealer's (or endorser's) liability has increased now, and we should make it clear to him by typing, rubberstamping, or attaching the following message to the Single Interest Letter:

> "The premium and applicable finance charges have been added to this account. This premium becomes fully earned upon payment of any claim under this policy."

CANCELLATIONS

These can occur because of a payoff of the account, or because the customer belatedly took steps to get dual interest coverage, and we were given notice of this after we had already written single interest coverage. When either occurs, you should immediately figure the rebate and take steps to cancel the coverage, and reschedule the account.

Single Interest Coverage cancellations are always computed on the 78ths method. Use Standard Installment Loan Rebate Chart. Indicate clearly on the Single Interest Certificate the date of cancellation and amount of return premium. Send it to the C&S Agency, who will forward the return premium check to the branch.

Note 1. Minimum earned premium is $10.00.
2. There is no rebate on policies on which a claim has been paid.

CLAIMS PROCEDURE

When the insured automobile has been permanently repossessed after it has been severely damaged(or destroyed) by fire, theft, or collision. notify the person in your area assigned to handle insurance losses. This person will assign the loss to a qualified insurance adjuster who will establish the amount of loss by applying the 4-way formula shown below.

1. Value of the car before the loss $_____
   Less net salvage value _____
   Insurance Company pays _____
2. Cost of repairs _____
   Insurance Company pays _____
3. Unpaid balance _____
   Less net salvage value _____
   Insurance Company pays _____
4. Unpaid balance _____
   Plus cost of repairs _____
   Less agreed value of car after repairs _____
   Insurance Company pays _____

The insurance company's liability will be the lowest total.

NEW BULLETIN

The unpaid balance will include payments NOT MORE than sixty (60) days past due. The unpaid balance is the gross balance, less the rebate of unearned finance charges.

The value of the car before the loss will never be considered to exceed the wholesale value as shown in current used-car guide books, such as NADA or Red Book.

The cost of repairs will include damage incurred in the collision, fire, etc., but will NOT include an accumulation of minor damage, motor re-conditioning, etc.

ORDERING FORMS

FORM NO.	DESCRIPTION	ORDER FROM
None	Application for Single Interest Insurance	C&S Agency, Atlanta
None	Single Interest Rate Schedule	C&S Agency, Atlanta
None	Single Interest Letter	Produce locally

RELATED BULLETINS

INSURANCE - THE CITIZENS AND SOUTHERN AGENCY, INC.
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE
INSURANCE - PAYMENT SCHEDULE - CHANGES

OVER THE COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

SALES FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

APPLICATION FOR SINGLE INTEREST INSURANCE

DATE: FROM: Office _____

TO: C&S Agency, Inc. Name _____

1. Customer's Name _____
2. Loan Number _____
3. Amount of Note _____

   Insurance Term Requested _____ Mos. _____

   Last Payment Due _____
4. Present Balance _____
5. Premium for _____ months remaining $_____
   (Should be remaining term of note)
6. Effective Date of Coverage _____
7. Summary of efforts to secure dual interest and reason for placing Single Interest Coverage _____
8. Dealer _____
   If over-the-counter loan - show "none"

INSTRUCTIONS

1. Send original Application For Single Interest Insurance to C&S Agency, Atlanta.
2. Attach premium check to original application.
3. Place copy of application in customer file.

SINGLE INTEREST LETTER

When you purchased your automobile, you agreed to secure comprehensive and collision insurance, and to furnish us with evidence of this coverage. Since you have not done so, we have secured insurance coverage to protect our interest in the vehicle.

The premium for this "single-interest" insurance, along with finance charges, has been added to your loan. This amount and the amount of your new monthly payment are shown below. A new payment book will be sent to you in the next few days.

Premium and Finance Charge For Remaining Term	New Monthly Payment	Beginning Month
$	$	

PLEASE SEND THE FIRST PAYMENT TO MY PERSONAL ATTENTION, USING THE ENCLOSED ENVELOPE AND PAYMENT COUPON.

The insurance that we have secured protects only our interest in the vehicle. This "single-interest" policy provides NO protection for you. Please contact us if you have any questions or if we can be of assistance in any way.

Sincerely,

Phone # _____

E-1221

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT BOATS & MOTORS

TOPIC

 Date 1-1-64

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS", Dated 1-31-62

Effective January 1, 1964, our present Boat and Motor Insurance policy is being cancelled and reissued. The new policy (number MAR-6651) will be issued by the same carrier, American Southern Insurance Company; however, the general agent (The Farm Agency) is being eliminated. In general, procedures for issuing certificates and handling losses are unchanged, except that all contact will now be made directly with the American Southern Insurance Company instead of The Farm Agency.

Certificate copies, premium remittance and loss reporting should be made to:

American Southern Insurance Company
56 Tenth Street, N. E.
Atlanta 9, Georgia

Telephone number (873-2251)

A change in procedure has also been made with regard to extensions. Please review the paragraph covering these procedures on page 7.

We will continue to work with The Farm Agency using the existing procedures and forms until 1-1-64. This bulletin becomes effective on that date and the procedure contained herein must then be followed. Prior to 1-1-64, a representative of the American Southern Insurance Company will call on all ILD managers of offices where Boat and Motor insurance is written. New procedures will be reviewed, questions answered and new supplies delivered. Those managers involved should review this bulletin immediately so that all questions may be resolved during this visit.

All boat and motor dealers must be notified of these changes and be instructed in the new procedure for reporting losses.

DEALER "PACKAGE" Our "all risk" (exclusive of "liability" coverage) group insurance policy covering outboard boats and motors, inboards, sailboats, trailers, and accessories enables us to offer a complete financing "package" to boat dealers. This "complete" plan stands on a competitive basis with plans offered by other major purchasers of boat dealer paper. (See Operating Guide Bulletin: SALES FINANCE - BOAT AND MOTOR FINANCING). In addition, our "package" offers dealers a number of distinct advantages because of the inclusion of insurance coverage:

1. The dealer can complete the closing of his sale. It is not necessary for him to quote a boat price and then obtain an insurance quote from an outside source.

2. The dealer is able to place immediate coverage upon delivery and is provided with protection in the event of a rejection.

3. The dealer is able to offer "all risk" (less liability) insurance to his customer at the lowest possible rate.

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS", Dated 1-31-62

4. The dealer is able to provide "one stop" sales service for his customers.

5. The dealer is assured of additional business in repairs and replacement sales and thus is better able to retain his customer.

From the bank's standpoint, the existence of this policy eliminates the need for insurance follow-up or Coverage Failure Insurance and also provides us with a dealer "selling tool" in the form of a complete "financing package".

We should continue to make every effort to sell all boat dealers on utilizing this insurance coverage. In a few cases, the boat dealer will also be an insurance agent or have a retrospective association with an insurance company. In these instances, insistence on the use of our plan may be unwise and there is no objection to working with the dealer under such an arrangement. However, in the majority of cases, in the acquisition of new dealers, our complete "package" inclusive of an "all risk" low rate insurance policy will be both attractive and advantageous to the dealer, the customer and the bank.

INSURANCE CARRIER Coverage is provided by individual certificates issued under a master policy, MAR-6651, written by American Southern Insurance Company. The master policy is on file in the Central Installment Department, Atlanta. The individual certificate constitutes a copy of the master policy (see page 2).

ASSUREDS This is a multi-interest policy protecting the purchaser, dealer and the Bank as their interest may appear on an "all risk" (less liability coverage) basis consistent with the provisions of the policy. (See subsequent paragraph - "PERILS COVERED").

MERCHANDISE ELIGIBLE FOR COVERAGE Any outboard boat and/or motor, inboard boat or sailboat together with any equipment (including trailers) listed on our Conditional Sales Contract may be covered under the policy. This policy makes no distinction between marine equipment to be used in fresh or salt water. Prospective purchasers of inboard cabin cruisers and large sailboats will probably desire more protection than afforded under this policy. In such cases, the customer and/or dealer may provide insurance from an outside source as long as the coverage afforded is inclusive of the perils covered under our policy. (Important - See subsequent paragraph "COVERAGE FROM OTHER SOURCES").

PERILS COVERED Any loss or damage to the merchandise insured, consistent with the conditions, exclusions and provisions of the policy, is covered. Review of these exclusions and conditions should be made from the illustration on the Certificate of Insurance on page 2.

EFFECTIVE DATE Coverage is effective as of the date funds are disbursed on a direct loan or on the date of delivery in the case of dealer paper.

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS", Dated 1-31-62

DEALER PROTECTION FOR DELIVERED REJECTIONS In the few cases where the dealer makes delivery prior to approval by the Bank (Saturday afternoon, etc.) and where he has sold coverage under our policy, this policy will provide the dealer with protection for a 5 day period beginning with the date the dealer is notified of the rejection. When the contract is rejected, the dealer should be notified by telephone and a letter of confirmation mailed to him the same day. A copy of this letter is to be sent to the American Southern Insurance Company. The expiration time of this "binder coverage" will be 12:01 A. M. on the sixth day (including date dealer is notified). This protection for the dealer is provided so that he may have time to contact the customer and either discount the contract elsewhere or repossess the merchandise. No certificate need be issued to initiate this "binder coverage".

SAMPLE DEALER REJECTION LETTER

Dear (Mr. Dealer):

This will confirm our telephone conversation earlier today. For reasons already discussed, we are unable to purchase your contract on (customer's name) which is enclosed.

Since the merchandise involved has been both delivered and covered under our insurance plan, protection will extend to you until 12:01 A. M. (date). At that time, all coverages under the policy will become cancelled.

Sincerely,

Should a claim arise during this binder period, the selling dealer should contact the American Southern Insurance Company and the details of handling will be worked out on an individual basis. Rejections where delivery has not yet been made or where our insurance coverage is not involved should be handled in the normal manner.

LIMITS OF LIABILITY As in most casualty insurance policies, the rate of premium is dependent on our loss experience. In order to eliminate the many inconsequential losses that will occur, all claims are subject to a $25 deductible provision. Total losses are limited to the actual cash value of the merchandise at the time of loss (less salvage). Partial losses are limited to the cost of repairs or replacement.

SINGLE INTEREST PROTECTION FOR THE BANK In the event of a single interest settlement to the Bank, the policy will pay the cost of repairs, or in the case of a "total loss", either the Bank's net unpaid balance or the actual cash value of the merchandise at the time of loss (less salvage), whichever is less.

Because certificates are written with an expiration date matching the due date of the final installment, additional automatic protection for the Bank during the handling

of past due final installments has been written into the policy. This affords us with single interest coverage for 60 days after individual certificates expire.

Coverage Failure Insurance should not be placed on any transaction covered under this policy because of the single interest protection afforded the Bank.

TERMINATION OF COVERAGE Coverage under this policy terminates on the expiry date shown on each individual certificate or upon cancellation by the assureds (customer or bank) or by the insurance company. (See subsequent paragraph - "CANCELLATION").

COST OF COVERAGE The premium rate is $4 per hundred per year of the TOTAL CASH SELLING PRICE excluding sales tax for outboard boats, motors, trailers and accessories. The rate of inboard boats, sailboats, trailers and accessories is $5 per hundred per year of the TOTAL CASH SELLING PRICE, excluding sales tax.

ISSUING CERTIFICATES AND PAYMENT OF PREMIUMS As loans are made and contracts are received that are to covered by insurance:

1. Compute the cost of insurance at the appropriate rate per year on the TOTAL CASH PRICE. Show the cost of insurance on the Discount Sheet as a credit to the American Southern Insurance Company.

2. Complete the insurance certificate by filling in the spaces provided which are self-explanatory (see previous illustration). Be sure the name of your bank is shown in the space provided in the center of the certificate.

3. Mail the original to the purchaser in a window envelope (9-311).

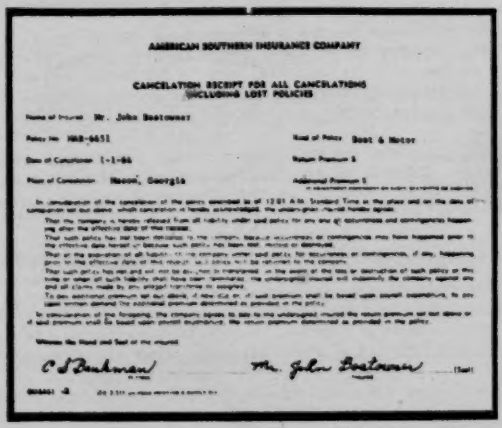
4. Fill in the amount of premium in the space provided on "Lienholder's Copy" and the "Company Copy". The "Company Copy" should be sent to the American Southern Insurance Company on a daily basis, with a check (payable to American Southern) to cover the total premium on all certificates issued that day.

5. The "Lienholder's Copy" should be retained in file as evidence of coverage.

CANCELLATION When an account is paid before final maturity, insurance does not have to be cancelled, but may be left in force until the certificate expires. If a customer specifically requests the cancellation of his coverage when paying off in advance, he should be directed to send the original certificate to the American Southern Insurance Company for cancellation. The insurance company will then compute the return premium and remit a draft (payable to the customer and the Bank) to the Bank. Verification that the account has been paid out should be made before endorsing the draft and forwarding it to the customer.

If the customer cannot produce the original certificate, he should be given a Lost Policy Release to complete.

REPLACES BULLETIN: INSURANCE - BOATS AND MOTORS, Dated 1-31-62



AMERICAN SOUTHERN INSURANCE COMPANY

CANCELATION RECEIPT FOR ALL CANCELATIONS
INCLUDING LOST POLICIES

Name of Insured Mr. John Boatowner

Policy No. HAB-6451 Kind of Policy Boat & Motor

Date of Cancelation 1-1-64 Return Premium $

Place of Cancelation Macon, Georgia Additional Premium $

In consideration of the cancelation of the policy described as of 12:01 A.M. Standard Time at the place and on the date of cancelation set out above, which cancelation is hereby acknowledged, the undersigned hereby requests

That the company, its agents, officers from all liability under said policy for any loss or occurrences and contingencies happening after the effective date of this receipt.

That such policy has not been terminated by the company because of occurrences or contingencies may have happened prior to the effective date hereof or because such policy has been lost, mislaid or destroyed.

That at the expiration of all liability of the company under said policy for occurrences or contingencies, if any, happening prior to the effective date of this receipt, all notices will be returned to the company.

That such policy has not and will not be sold, loaned or transferred, or the event of the loss or destruction of such policy or the loss or theft of such liability shall have been terminated, the undersigned insured will indemnify the company against any and all claims made by any person or persons in connection.

To pay additional premium for any change in the risk or if said premium shall be based upon payroll expenditure, to pay upon written demand the additional premium determined as provided in the policy.

In consideration of the foregoing, the company agrees to pay to the undersigned insured the return premium set out above or if said premium shall be based upon payroll expenditure, the return premium determined as provided in the policy.

Witness the hand and seal of the insured.

C S Bankman

Mr. John Boatowner (Seal)

Where the bank requests cancellation due to repossession, all that is needed is a letter to that effect sent to the insurance company. The return premium will be sent directly to the bank and should be applied to the customer's account. The letter requesting cancellation must give a specific date for cancellation. This date should be the date the merchandise was sold by the Bank on the date the contract was repurchased by the dealer.

EXTENSIONS When accounts are extended past their original final maturity, insurance must likewise be extended. The procedure will be the same as in the past except that the extended coverage will be placed under the new policy. Do not extend coverage using a Farm Agency certificate. The cost of insurance in such cases will be computed on the ORIGINAL CASH SELLING PRICE at the original premium rate per year. The annual premium thus obtained should then be divided by 12 and multiplied by the number of months which the account is to be extended. A new AMERICAN SOUTHERN CERTIFICATE should be issued showing the previous expiry date in the space "From (Date of Contract)" and the new extended expiry date in the space "Date of Final Payment". In addition, the word "EXTENSION" should be typed on the certificate above the "(Date of Contract)". With the above modifications, the handling of the extension certificate will be the same as the handling of the certificate on new contracts.

RATE CHART INSERT For the benefit of dealers and their salesmen, a new rate chart insert has been prepared describing this coverage. This insert should be included in all rate chart books supplied to dealers using this insurance plan.

E- 1226

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS" Dated 1-31-62

OVER-THE-COUNTER LOANS Over-The-Counter transactions may be insured following the general procedures outlined for dealer-originated contracts.

BANKS OTHER THAN CITIZENS AND SOUTHERN The coverages under this policy are available to any correspondent bank on the same basis as C&S Banks. Any correspondent bank desiring this coverage should be referred to the System Consumer Credit Department, Atlanta.

COVERAGE FROM OTHER SOURCES Whenever our policy is not used and the dealer is not on a retrospective plan with American Southern Insurance Company, (see subsequent paragraph on "RETROSPECTIVE PLAN AVAILABLE"), equivalent coverage must be provided by the customer. In such cases, the bank should be named "Loss Payee". All such loans or contracts should be covered with Coverage Failure Insurance, (if eligible - $5,000 or less being financed). If Coverage Failure Insurance is requisitioned, a Statement of Insurance must be obtained signed by the customer and the dealer.

REPORTING LOSSES

American Southern Insurance Company, working with the selling dealer, will adjust all losses. This arrangement is advantageous for the customer, the dealer, and the Bank.

For the customer, it means faster adjustment service, since in most cases an estimate of repairs or replacement, supplied by the selling dealer, will be all that will be necessary and the merchandise can then be repaired locally with less delay.

For the dealer, it helps to assure that the selling dealer will get the repair or replacement business and thus not lose his customer to another dealer.

For the Bank, such an arrangement takes us completely out of the adjustment picture and, more important, helps us to sell the advantages of our "package plan" because of the insurance company working closely with the selling dealer.

All claims should be reported directly to the American Southern Insurance Company, 56 Tenth Street, N. E., Atlanta, Georgia 30309, (873-2251) by the purchaser, the dealer, or the Bank.

IMPORTANT

1. Do not assign the loss to a commercial insurance adjustor.
2. No repairs should be made before the loss is reported to the insurance company. An estimate of repairs should be submitted, by the selling dealer, to American Southern to assist in their adjustment of the loss.

Drafts in payment of partial losses will be made payable to the customer and the repairing dealer and remitted directly to the customer. Drafts in payment of total losses will be made payable to the customer and the Bank and sent to the Bank. Single interest settlements will be payable to the Bank.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT BOATS AND MOTORS

TOPIC

 Date 1-1-64

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS" Dated 1-31-62

RETROSPECTIVE INSURANCE PLAN AVAILABLE The American Southern Insurance Company, is prepared to set-up any of our volume boat dealers as insurance agents under a retrospective plan. (Such a plan is feasible only with volume dealers.) This kind of an arrangement is satisfactory to us. In such instances the insurance provided will be equivalent to our group policy from a coverage standpoint, but will not be issued under our policy. The selling dealer will issue his own certificate and a copy of the certificate must accompany each contract submitted to us. Where the cost of the premium is financed in our contract, it should be remitted to the dealer along with the proceeds of the contract.

If the bank should need to request cancellation due to repossession, a letter to that effect should be sent to the dealer who issued the policy. The return premium will be sent to the bank and should be applied to the customer's account.

In a retrospective plan, the dealer becomes a licensed insurance agent and, as such, should deal directly with the American Southern Insurance Company. We do not want to become involved any more than we would with any insurance agent. Should a dealer (or a prospective boat dealer) indicate interest in this retrospective plan, the American Southern Insurance Company should be notified and they will handle directly with dealer from that point forward.

Under this type of plan, the insurance company has agreed to furnish the bank with single interest coverage in the event that cancellation becomes necessary by them or the dealer (agent). For this reason, and because the certificate is obtained with the contract, it is not necessary to provide Coverage Failure Insurance for transactions originating from dealers who are retrospective agents under American Southern.

ORDERING FORMS Requirements of Certificates and Lost Policy Releases should be ordered from the American Southern Insurance Company.

RELATED BULLETIN SALES FINANCE - BOAT AND MOTOR FINANCING

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT THE CITIZENS AND SOUTHERN AGENCY, INC.

TOPIC

Page 1 of 1 **Date** 12-1-70

NEW BULLETIN

The Citizens and Southern Agency, Inc., a wholly owned subsidiary of the C&S Holding Company, has been formed to handle insurance coverage that is directly related to customer loans with eligible banks. The Agency is presently developing various insurance programs. Bulletins describing each program will be issued as soon as each becomes available.

ELIGIBILITY

Presently eligible are C&S National Banks, affiliate banks, and wholly owned subsidiaries.

SPECIAL EXCLUSIONS

The C&S Agency does not handle:

1. Such property insurance, workmen's compensation, blanket bonds, and general liability bonds as required to cover bank property, employees, or liability. These coverages remain the responsibility of the Comptroller's Department.

2. Insurance not directly related to a loan.

3. Coverages that are Employee Benefits. These continue to be the responsibility of the Personnel Department.

INCOME AND LOSS ALLOCATION

Where practical, profits will be pro-rated to individual branches based on their own insurance experience and/or premium volume.

REPORTS AND ORDERING FORMS

C&S Agency will automatically furnish each branch with statistical information as needed. Information on ordering forms will be given in each individual bulletin.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT COVERAGE FAILURE

TOPIC

 Date 12-4-67

NEW BULLETIN: File in front of bulletin dated 4-18-62

For many years we have had worthwhile savings in clerical expense by using Coverage Failure Insurance in lieu of following for evidence of insurance on automobiles that we finance. Starting in 1966, however, the loss ratio under this blanket insurance policy has progressively increased to the point that our insurance premium would need to be increased substantially to continue the coverage. In addition, all indications point to progressively higher premiums as time goes on.

After a careful review of the cost factors involved, we have concluded that the best course of action is to discontinue Coverage Failure Insurance and return to a strict followup for individual policies protecting our interest as well as the customer's equity.

American Southern Insurance Company will continue to insure loans made up to 1-1-68, however, followup for outside insurance should start immedately upon receipt of this bulletin.

EXISTING INSURED LOANS

Loans on which a Coverage Failure Insurance premium has been paid will still be covered; however, it is extremely doubtful if the unearned premium held by the insurance company will be sufficient to cover future losses unless we take additional steps to prevent claims. We have agreed to try to minimize losses by taking these steps:

1. Whenever any indication of lapse of insurance or possible lapse of insurance is received (i.e. premium notice, cancellation notice, checks covering losses, etc.), immediately verify the existence of insurance coverage and maintain a followup until you have a policy meeting our requirements.

2. As file folders on automobile loans are pulled for collection or any other purposes, check to be sure that you have insurance for the life of your loan. If you do not have a policy - take action to get one and maintain a followup. If you have a policy which expires prior to the end of your loan (other than automatic renewable policies, i.e., State Farm and Allstate) - prepare a followup card to come up 30 days in advance of the expiry date.

3. If any sales finance dealers are aware that you have had Coverage Failure Insurance, be sure that they are told that our Coverage Failure Insurance is cancelled. Dealers should not know that you are covered on unavoidable losses.

If these precautions are followed religiously, it should not become necessary to take the further step of verifying coverage on all outstanding auto loans.

NEW BULLETIN: File in front of bulletin dated 4-18-62

CLAIMS ON EXISTING INSURED LOANS

After exhausting all possible collection efforts short of legal action, claims will still be handled as outlined in our bulletin of 4-11-62.

INSURANCE REQUIREMENTS - AUTO LOANS

It is an accepted fact that automobiles that are pledged as collateral must be adequately insured against loss or damage. This is sound business practice for the borrower as well as the lender. In connection with C & S automobile loans:

1. Comprehensive and at least $100 deductible collision insurance is mandatory.

2. We require a copy of the insurance policy with our interest named in the policy.

3. Liability insurance is not a loan requirement, but our customers should be encouraged to have this coverage for their own protection.

4. The customer should be encouraged to include insurance for the full term of the loan.

It is important that we point out the customer advantage of full term insurance -- no annual or semi-annual premium coming due at a time that may not be convenient -- financing the total amount provides insurance protection without lapse for the period of the loan. The insurance premium can be financed as part of the automobile loan on a monthly basis. The total payment can be paid direct or deducted from a checking account. Additionally, the customer has the advantage of not being subject to any increase in rate during the policy period.

From our own standpoint, insurance for the term of the loan decreases cost of handling and increases our profit by virtue of the additional amount financed.

FOLLOWUP PROCEDURES

1. As part of completing an auto loan, be sure the "Statement of Insurance" on the reverse of the Automobile Note - Security Agreement is fully completed and signed.

2. Wherever practical, talk to the insurance agent, verify coverage and give him the exact name and location of your bank (or branch). The exact address is particularly important in the Atlanta area and other multiple office cities to avoid delay in handling and followup.

NEW BULLETIN: File in front of bulletin dated 4-18-62

3. Prepare a Collateral Followup Card (19-984) and:

   a. Follow by phone or letter 30 days from date of loan and every 10 days thereafter until a policy in proper form is received.

   b. If a policy is not received by the 60th day, consider the credit of your customer very carefully and whether the automobile should be stored under our control until properly insured.

RECEIPT OF POLICIES

1. Immediately upon receipt of an outside policy verify the name of the insured, correct description of the vehicle, satisfactory physical damage coverage, Bank named as loss payee and expiry date.

   a. Maintain followup for correction endorsement if needed.

   b. If policy expires before the date of final payment, reset followup for 30 days prior to the expiry date.

2. If policy does not cover one of your loans, determine proper destination through CIF or otherwise and send the policy to that point promptly.

3. In the Atlanta area, the central mail room will send unidentified policies directly to CIF for distribution.

BANK PLACEMENT OF INSURANCE

We are currently working with American Bankers Insurance Company of Miami on a program that will enable us to place insurance on behalf of our customer in event that he fails to provide us with evidence of coverage within a reasonable time or if he requests that we do so. Under this program we will also have loss protection in those cases where an uninsured loss might take place despite our followup procedures. We expect to be able to have this program completed shortly after the first of next year.